



press cuttings 25 May 2010



David Prosser: Keep up the good work on Equitable redress

Wednesday, 26 May 2010

Outlook So far, so good for victims of the Equitable Life scandal. The Government has kept its word, with the Queen's Speech yesterday promising a Bill to give the Treasury powers to pay compensation to those who lost money when the insurer almost collapsed a decade ago. That is going much further than the previous administration – even after a string of legal rulings against it and a damning report from the Parliamentary Ombudsman – which never managed to offer anything more than the most cursory of compensation schemes.

Still, the devil will be in the detail of the proposals. Equitable Life itself estimates that compensating the victims of this failure of regulation could cost as much as £5bn if rightful redress is to be paid to everyone affected. That's quite a commitment for a government so concerned about getting the public finances under control.

Any backsliding on compensation, however, would be all the more disappointing given the hope offered to Equitable victims after their long fight for justice.

Queen's Speech: no means testing for Equitable victims

Equitable Life policyholders who lost money in the insurer's near-collapse will not be means tested for compensation, the Government has confirmed.

By Richard Evans

Dependants of policyholders who died while waiting for compensation will also receive a payout, while the Government has promised an "independently designed" payment scheme that is "swift, simple, transparent and fair".

Tens of thousands of policyholders are thought to have died while waiting for redress.

Announcing that a Bill in the Queen's Speech will enable payments to be made to Equitable victims, Mark Hoban, the financial secretary to the Treasury, said the final report on the insurer from Sir John Chadwick would be received by mid July. It had been due this month, but Sir John requested a short extension to the timetable.

"This delay will enable Sir John to respond to issues raised by the independent actuarial panel which has been appointed to examine the assumptions and methodology used by Sir John's actuaries in their provisional advice to him, adding a layer of independent scrutiny," Mr Hoban said.

"It will also allow him to consult further on the significant evolution of his work since his third interim report. The Government will publish Sir John's final report along with a detailed update, including next steps towards implementing an independently designed payment scheme."

He added: "The Government believes that the design of the scheme should be determined by an independent commission. However, it has confirmed two key points: that there will be no means testing, and that the dependants of deceased policyholders will be included.

"I am very aware of the acute concern among policyholders who have suffered loss, and the desire to achieve redress quickly. While there will be frustration at this short delay, it is important that our approach is thorough and fair.

"The Government is working hard to address the situation as quickly as possible so that we can establish an independently designed payment scheme for Equitable Life policyholders that is swift, simple, transparent and fair, as recommended by the Parliamentary Ombudsman."

The previous government had promised to set out details of the compensation payment scheme within 14 days of receiving Sir John's final report.



Equitable's new avengers must push for rapid pay-out

By Andrew Hill Published: May 26 2010 03:00

You have to hand it to Equitable Life policyholders. No, really. You *have* to hand it to them, because, if you're a supporter of either Conservatives or Lib Dems, you voted for a manifesto pledge to make fair and transparent payment to victims of the life insurer's near-collapse.

That is why policyholders were yesterday among the few beneficiaries of a Queen's Speech pledge to pay money out rather than cut it back. The new government will set up an independent compensation body, it won't means-test payments, and it will include in its scheme dependants of those policyholders who have died while waiting for justice. This is welcome. But it isn't yet enough. In the 10 years since Equitable's near-collapse, policyholders have received plenty of promises, but still no money.

Another unfortunate delay marred yesterday's good news. The Treasury has given Sir John Chadwick until mid-July to file his final report on how to work out the relative losses of policyholders. That's generous. Sir John's appointment last year was the result of a final piece of shameless procrastination by the Labour government, the latest in a series since a parliamentary ombudsman's report in 2008 that identified 10 cases of maladministration by regulators and departments (including under previous Tory governments).

Even after Sir John files, there is plenty of opportunity for policyholders' champagne to go flat. Their original hopes of a £4bn-£5bn pay-out look forlorn in the current climate. The decision not to means-test is right, but it ensures a few wealthy ex-judges, retired City bankers and high-profile film stars (Honor Blackman of *Avengers* and Bond-girl fame is one victim) will be compensated. That's not a good look for a centre-right government making severe public sector cutbacks. A blanket bail-out would also risk lulling companies, investors and their advisers into a false sense of security about the risks and responsibilities of investing. Yet £1bn - the pay-out bandied around when Tories and Lib Dems were in opposition - may not satisfy ardent campaigners now they've got this far.

Above all, the government must move fast. Many potential claimants are over 80. The ombudsman reckoned it could take two years to process compensation claims. The speed at which the Equitable wrongs are righted, rather than the absolute amount disbursed, is the benchmark against which policyholders' parliamentary new avengers should be judged.

Equitable Life victims need justice

By Mark Hoban
25 May 2010

The coalition government has moved decisively to help Equitable Life policyholders waiting for justice, says financial secretary to the Treasury Mark Hoban.



Burning issue: Mark Hoban says that Equitable Life victims deserve justice

Hundreds of thousands of Equitable Life policyholders who were victims of regulatory failure have been waiting for justice for more than ten years.

Tragically during this period, more than 30,000 have passed away. Despite this, the previous government was happy to put the issue on the back burner.

Yesterday, the coalition Government took a major step towards ending that injustice. We were proud to announce the introduction of a Bill that will finally enable payments to be made to policyholders.

We have also made a firm pledge to compensate dependants of deceased policyholders and that payments will not be means tested.

These two factors show our commitment to a swift, simple, transparent and fair payment scheme. The policyholders have waited long enough for justice. This coalition is built on the principles of freedom, fairness and responsibility. We recognise the Government's responsibility to tackle this issue and to do so in a way which is fair to both policyholders and taxpayers.

Our independent commission will determine the design of the payment scheme. While we appreciate the need to implement a payment scheme quickly, the impact and implications of events in relation to Equitable Life are complex, and it is important our approach is thorough, transparent and fair.

We believe this will give policyholders the confidence that they have got the best possible deal. But, as the Ombudsman accepted, we also recognise that the impact of any scheme on the public purse must be taken into account.

This issue means a lot to me. I have been working on it since 2005 and since coming to office I have had meetings with Sir John Chadwick, who was appointed by the previous government to advise on compensation, as well as Equitable Members' Action Group and Equitable Life.

The fact that we have announced within two weeks of being in power that we will introduce a Bill proves how serious this Government is about helping policyholders.

We are very aware of the distress among policyholders who have suffered loss, and the strong desire to achieve a solution quickly. While there will be frustration at the short delay to Sir John's report, it is important our approach is thorough and fair.

The Government is working hard to address the situation as quickly as possible, in order to ensure the establishment of an independent payment scheme that is fair to both taxpayers and policyholders.

Equitable Life victims could receive compensation 'within 12 months'

Coalition government will set up an independent compensation scheme for victims of Equitable Life with a view to paying out 'as quickly as possible'

- Rupert Jones
- Tuesday 25 May 2010 16.46 BST



Equitable Life victims, including Honor Blackman, have long campaigned to receive compensation. Photograph: Fiona Hanson/PA

Hopes were high today that victims of the Equitable Life scandal will receive compensation within 12 months after plans to make payments were included in the Queen's speech.

The government today confirmed it would be setting up an independently-designed compensation scheme for Equitable Life policyholders that was "swift, simple, transparent and fair".

A million people saw their retirement savings slashed as a result of the company's well-publicised problems. The Treasury said today that the whole compensation process "has taken far too long" and it was committed to paying out "as quickly as is possible".

There are no details yet on how much will be paid out and when, though the Equitable Members Action Group has estimated that the losses incurred by policyholders total between £4bn and £5bn.

One expert closely acquainted with the Equitable affair said: "I would be disappointed if payments didn't start in the next 12 months."

The Treasury has confirmed payments will not be means-tested, and that the families of the 30,000-plus policyholders who have died waiting for compensation will be included in the scheme.

The government had already signalled its intention to help policyholders in its coalition agreement when it said it would implement the parliamentary ombudsman's recommendations to make payments to people who suffered through the near-collapse of the mutual insurer. In 2008 the ombudsman, Ann Abraham, said she had found evidence of "serial regulatory failure".

The insurer shut its doors to new customers in 2000 and later repeatedly slashed the value of policyholders' investments after it lost a legal battle. The Labour government later apologised for the "maladministration" that contributed to the insurer's problems, but rejected recommendations that it should compensate all Equitable policyholders.

Instead a retired judge, Sir John Chadwick, was appointed to work out which policyholders had been hardest hit and what proportion of their losses could be attributed to maladministration.

The new Treasury financial secretary, Mark Hoban, said: "For almost a decade Equitable Life policyholders have fought for a just resolution in relation to losses suffered as a result of regulatory failure. I am very aware of the acute concern among policyholders who have suffered loss, and the desire to achieve redress quickly."

The Treasury said it would be able to provide more detail about the scheme once the government and an independent commission had considered Sir John's final report, which is due in mid-July.

UK government paves way for Equitable Life payouts

Tue May 25, 2010 10:08am EDT

* Says payment scheme will be "swift, simple, transparent"

LONDON, May 25 (Reuters) - Equitable Life [EQL.UL] policyholders who suffered heavy losses when the insurer nearly collapsed a decade ago edged closer to long fought-for compensation on Tuesday, as the new UK government promised an independent payment scheme.

The coalition government brought into power earlier this month said it would design a "swift, simple, transparent and fair" payout plan, upholding compensation proposals made by a parliamentary watchdog two years ago that could cost as much as 5 billion pounds (\$7.2 billion).

The 2008 report by parliamentary ombudsman Ann Abraham recommended payouts for more than a million policyholders who lost pension savings, but the then Labour government said it could not offer full compensation.

In a statement after the government outlined its legislative agenda to parliament, including plans for an Equitable bill, the Treasury said the compensation scheme would be designed by an independent commission.

"I am very aware of the acute concern among policyholders who have suffered loss and the desire to achieve redress quickly," Mark Hoban, financial secretary to the Treasury, said.

Abraham's investigation, published in 2008, found evidence of maladministration of Equitable by regulators and the government between 1988 and 2001.

She said the government should set up an independent tribunal to calculate compensation for all policyholders. And she said last year in a special report she was deeply disappointed by the then government's decision not to compensate all policyholders in full.

Equitable Life, Britain's oldest insurer with 1.5 million policyholders at its peak, almost collapse after being forced to honour unsustainable guarantees stretching back 30 years.

It eventually closed to new business, affecting more than a million people who had each invested thousands of pounds for their retirement.

Bill hope for Equitable Life payout

The Government has confirmed it plans to press ahead with setting up an independent scheme to pay compensation to Equitable Life policyholders.

Financial Secretary to the Treasury Mark Hoban said an independent commission would be asked to design a scheme that was "swift, simple, transparent and fair".

He added that redress would not be means-tested and that compensation would be paid to former policyholders and the dependants of policyholders who had died, as well as to existing members of the society.

The Equitable Life Bill, which was included in the Queen's Speech, also gives the Treasury statutory authority to "incur expenditure" to pay compensation to people who lost money through the collapse of the society.

But there was some bad news for policyholders, as the Government said a report by former Appeal Court judge Sir John Chadwick, who is advising on the level of compensation that should be paid to members of the society, had been delayed until mid-July.

It said it had agreed to the extension to enable Sir John to respond to issues raised by the independent actuarial panel, which was examining his work, and to allow for further consultation.

It is now nearly two years since the Parliamentary Ombudsman called for policyholders to be paid redress after finding 10 instances of maladministration by regulators and Whitehall officials in relation to Equitable in the period leading up to December 2001.

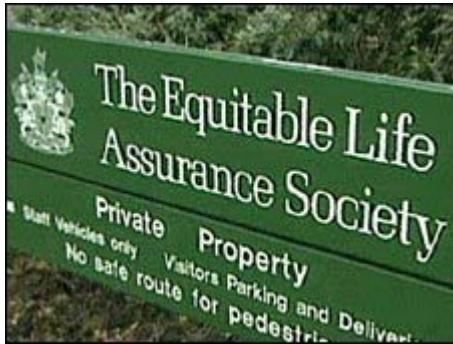
Mr Hoban said: "For almost a decade, Equitable Life policyholders have fought for a just resolution in relation to losses suffered as a result of regulatory failure.

"I am very aware of the acute concern among policyholders who have suffered loss, and the desire to achieve redress quickly.

"While there will be frustration at this short delay, it is important that our approach is thorough and fair."

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Queen's Speech: Bill for Equitable Life compensation



The coalition government plans to give the Treasury powers to make compensation payments to more than a million Equitable Life members.

The reform to allow "fair and transparent" payments will come through the Equitable Life Bill announced in the Queen's Speech.

Savers lost money after the pension company's near-collapse in 2000.

Compensation will not be means-tested, the government said.

'Regulatory failure'

The proposed new measure is one of 22 bills announced in the Queen's Speech, marking the first set of legislation planned by the new coalition government.

The Equitable Life Bill will give the Treasury the authority to make payments to policyholders.

After the Equitable closed to new business in 2000, more than a million policyholders suffered large cuts to the value of either their prospective or current pensions as the society struggled to stay solvent.

In July 2008, the Parliamentary Ombudsman, Ann Abraham, published a report that pinpointed "a decade of regulatory failure" as being one of the main reasons for the collapse of the pension company.

In 2008, she called on the government to set up a scheme to compensate the savers for the maladministration and their losses and now she has welcomed the latest announcement.

"This is welcome news for me, but more importantly, for the thousands of individuals and families who are still enduring financial hardship as a result of the regulatory failure identified in my 2008 report," she said.

"I hope that the new government will move quickly to establish a compensation scheme that is independent, transparent and simple to administer and that will serve to overturn the injustice that Equitable's policy holders have suffered."

The coalition government's plan for compensation appears to go much further than the limited scheme previously suggested by the Labour government.

Chris Wiscarson, chief executive of Equitable Life, said: "We are delighted with the government's immediate response and look forward to working with them."

Debate will now turn to how comprehensive the new compensation scheme will be and the speed with which it will be implemented. Campaigners point out that some policyholders have died in the years since 2000.

'Independent'

The government later confirmed that the dependants of policyholders who have died will be in line for compensation.

I am very aware of the acute concern among policyholders who have suffered loss, and the desire to achieve redress quickly

Mark Hoban Financial secretary to the Treasury

The exact compensation scheme will be designed by an independent commission.

A former High Court judge, Sir John Chadwick, has been trying to design a payment scheme as requested by the previous government, and his work is ongoing.

This will be supplied to the new government by mid-July when the next steps will be announced.

"For almost a decade, Equitable Life policyholders have fought for a just resolution in relation to losses suffered as a result of regulatory failure," said Financial Secretary to the Treasury Mark Hoban.

"I am very aware of the acute concern among policyholders who have suffered loss, and the desire to achieve redress quickly. While there will be frustration at this short delay, it is important that our approach is thorough and fair.

"The government is working hard to address the situation as quickly as possible so that we can establish an independently designed payment scheme for Equitable Life policyholders that is swift, simple, transparent and fair, as recommended by the Parliamentary Ombudsman."

Equitable Life Bill promises payouts

Equitable Life policyholders came a step closer to getting compensation today when plans to pay them were included in the Queen's Speech.

The Equitable Life Bill paves the way for the Government to make "fair and transparent" payments to policyholders who lost money due to the problems at the society.

It also give the Treasury statutory authority to "incur expenditure" to pay them redress.

The compensation will cover both existing and former policyholders of Equitable who suffered losses as a result of Government maladministration.

The Government had already signalled its intention to help policyholders in its coalition agreement, when it said it would implement the Parliamentary Ombudsman's recommendations to make payments to people who suffered through the collapse of the mutual.

The Parliamentary Ombudsman called for policyholders to be paid redress in 2008 after finding 10 instances of maladministration by regulators and Whitehall officials in relation to Equitable in the period leading up to December 2001. But the then-Labour government rejected many of her findings and said it would make ex-gratia payments to people who had been "disproportionately affected" by the problems at the society.

Chris Wiscarson, chief executive of Equitable Life, said: "We are delighted with the Government's immediate response and look forward to working with them." Equitable policyholders are waiting for the publication of a report by former Appeal Court judge Sir John Chadwick, who was advising the former government on the level of compensation that should be paid to members of the society.

The Equitable Members Action Group (EMAG) had accused the former government of dragging its feet, pointing out that around 15 policyholders a day were dying without receiving any compensation.

Equitable Life was brought to its knees in 2000 when it lost a legal battle in the House of Lords over the rights of policyholders, forcing it to close to new business.

Worth £26 billion in its prime, it now has around 200,000 with-profits policyholders and a £5.54 billion with-profits fund.

Equitable Life policyholders to get 'fair' payments

Nearly a million Equitable Life policyholders will be given 'fair and transparent' compensation payments under plans outlined in today's (25 May) Queen's Speech.

Other measures unveiled by the coalition government during the state opening of parliament included a shift of responsibility of banking regulation away from the Financial Services Authority to the Bank of England, a timetable for raising the state pension age and a restoration of the state pension earning link from 2012.

The bills the coalition government wish to push through the next parliamentary session include the Equitable Life payments scheme bill which will secure compensation for policyholders hit by the near collapse of the insurer Equitable Life.

The financial reform bill will shift responsibility for -regulation of the banking system from the Financial Services Authority to the Bank of England.

The pensions and savings bill will legislate for the phasing out of the default retirement age and set a timetable for raising the state pension age. It will also restore the link between earnings and the state pension from 2012. The bill applies to England, Scotland and Wales.

Ombudsman welcomes Equitable Life bill

The Parliamentary and Health Service Ombudsman Ann Abraham welcomed the coalition government's Equitable Life Payments Scheme bill.

She said the bill, announced in the Queen's speech on Tuesday (25 May) would implement her recommendations of making a fair and transparent payment to Equitable Life policyholders.

Ms Abraham's report, *Equitable Life: a decade of Regulatory Failure* was published in July 2008 and identified serial regulatory failure constituting maladministration and resulting in injustice in the form of relative financial loss for policy holders.

The report recommended the government establish and fund an independent compensation scheme, with a view to paying compensation to remedy any financial losses which would not have been suffered had policyholders invested elsewhere than with Equitable.

Ms Abraham said: "This announcement is welcome news for me, but more importantly, for the thousands of individuals and families who are still enduring financial hardship as a result of the regulatory failure identified in my 2008 report. I hope that the new government will move quickly to establish a compensation scheme that is independent, transparent and simple to administer and that will serve to overturn the injustice that Equitable's policy holders have suffered."

'Fair' payments for Equitable Life policyholders



The new coalition government has pledged to make fair and transparent compensation payments to around one million policyholders hit by the near collapse of Equitable Life.

The plans outlined in the Queen's Speech to Parliament confirmed the government wants to establish an independently designed payment scheme for the insurer's policyholders that is 'swift, simple, transparent and fair'.

A final report will be published in mid July along with a detailed update outlining the steps intended to be taken towards implementing the payment scheme.

Although its design is likely to be determined by an independent commission, it was confirmed that there will be no means testing, and that the dependents of deceased policyholders will be included.

"For almost a decade, Equitable Life policyholders have fought for a just resolution in relation to losses suffered as a result of regulatory failure", Mark Hoban, Financial Secretary to the Treasury.

"I am very aware of the acute concern among policyholders who have suffered loss, and the desire to achieve redress quickly."

Amongst the other bills unveiled, the Financial Reform Bill will see responsibility for banking regulation shift away from the Financial Services Authority to the Bank of England.

The phasing out of the default retirement age and timetable for raising the state pension age will be legislated for under the Pensions and Savings Bill. The link between earnings and the state pension will also be restored from 2012.

However, the Queen said that the first priority of the government was to reduce the deficit and restore economic growth.

Hoban confirms Equitable Life Bill will go ahead

25 May 2010 | By Nicole Blackmore

Financial Secretary to the Treasury Mark Hoban has today confirmed the Government will establish an independently designed payment scheme for Equitable Life policyholders that is “swift, simple, transparent and fair”.

Hoban announced that the Government will take forward a Bill to enable payments to be made in relation to Equitable Life, as included in today’s Queen’s Speech to Parliament.

The Government says that the final report from Sir John Chadwick in relation to Equitable Life will be received by mid July.

The Government has agreed to Chadwick’s request for a short extension to the stated timetable.

Chadwick’s final report will be published along with an update, including next steps towards implementing an independently designed payment scheme.

The Government says it believes that the design of the scheme should be determined by an independent commission. However, it has confirmed that there will be no means testing and that the dependents of deceased policyholders will be included.

Hoban says: “For almost a decade, Equitable Life policyholders have fought for a just resolution in relation to losses suffered as a result of regulatory failure.

“I am very aware of the acute concern among policyholders who have suffered loss, and the desire to achieve redress quickly. While there will be frustration at this short delay, it is important that our approach is thorough and fair.

“The Government is working hard to address the situation as quickly as possible so that we can establish an independently designed payment scheme for Equitable Life policyholders that is swift, simple, transparent and fair, as recommended by the Parliamentary Ombudsman.”

Equitable policyholders to receive compo

25 May 2010

Equitable Life policyholders look set to finally receive compensation after the Queen's speech included plans to recompense policyholders who lost out.

A new Equitable Life Bill will mean that the government will have to make 'fair and transparent' payments to policyholders who fell victim to the problems at the society.

The mutual got into trouble by selling policies promising a guaranteed annuity rate where policyholders could choose a minimum pension payout coupled with a bonus when their policy matured.

Despite ceasing sales of the policy in 1988, the mutual was obliged to make guaranteed payments which had originally been promised when inflation was high, but when inflation sank, Equitable could no longer fund those commitments.

The Treasury will also now have the statutory authority to incur expenditure to pay policyholders any necessary redress.

Existing and former policyholders are covered – including any policyholders who suffered extended loss because of government maladministration.

Joe McGrath