



HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Paul Braithwaite
General Secretary
Equitable Members Action Group

5 August 2010

Paul

Thank you for your email of 28 July.

I am glad that you agree that the publication of a range of loss figures for the first time represents a substantial step forward. The Government has been completely transparent about how the figures have been calculated. The actuarial advice underpinning these figures, such as the choice of external comparator used, can be found in the extensive Towers Watson report annexed to Sir John's report.

I am aware that parts of Sir John Chadwick's report are contentious in nature and have seen the reaction to it both from EMAG and from the Ombudsman. As I said on 22 July, Sir John's report will be a building block as we move forward to the next stage of the process, but we will listen to other views. While EMAG may not agree with everything Sir John has said, I have noted that you have previously agreed with substantial elements of it, notably: the flexible approach to calculating loss and the principle of adopting a discount to reflect that not all policyholders would have left Equitable Life absent maladministration. You have also been supportive of the fact that the Government must consider what is affordable.

It would be helpful to understand in more detail what your concerns are about the Towers Watson calculations of the relative loss figures, so that we can hopefully reassure of the rigour of their approach.

My key focus now is to deliver a payment scheme swiftly and fairly and I hope that EMAG will engage constructively with the next stages of the process in achieving this. As I said in my announcement on 22 July, I am willing to listen to representations from interested parties. Any proposals that you have that would help to improve the process and make significant progress towards making first payments to policyholders by the middle of next year would be very welcome. I invite you and all interested parties to come forward with ideas that are robust, evidence-based and workable. It would be helpful to have these by the end of August.

I think it would be beneficial for us to then meet in the first week of September to further discuss this and my office will be in touch shortly to arrange this. However, in the meantime, I encourage you to engage with Treasury officials as we progress towards finding a resolution to this matter.

Yours sincerely,



MARK HOBAN MP
FINANCIAL SECRETARY TO THE TREASURY