



Equitable Members' Action Group Ltd

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Equitable Life compensation: would you accept only 20% of your losses?

Dear Salutation

With the change of UK government in May it looked as though several thousand policyholders in Ireland (and Germany), together with many more in the UK, would finally be about to receive the compensation they deserve for the losses they incurred resulting from the serious failures of the UK's financial regulators of Equitable Life, between 1990 and 2000.

EMAG is the leading campaign group on Equitable and we are now disturbed to find that despite promises made the new government seems to be continuing with the same disgraceful tricks from the UK Treasury. These characterised the UK's behaviour under the last government, with the objective of paying out only a fraction of what is due to us and now, inevitably, the new government is also pleading poverty. But it certainly wasn't broke in the summer of 2001 when the compensation should have been paid to all the investors in Equitable. What a disgrace.

We fear that unless members of the European and UK Parliaments (MEPs and MPs) intervene very quickly, you will NOT get the compensation you should be entitled to under European Law. British newspapers suggest that the UK government could attempt to pay victims like you, just like those in the UK, only of the order of 20% of what you really lost! Why should Irish investors not receive 100% of the compensation that the EQUI report to the European parliament said was your due.

We ask you to help to win fair compensation by writing urgently to your three Members of the European Parliament, reminding of the recommendation of redress of the EQUI special committee of inquiry into Equitable Life and seeking his or her urgent help.

You, like all victims of the Equitable scandal, deserve proper compensation for the losses that you suffered following its near-collapse in 2000 and subsequent devaluations in 2001 and 2002. For nine years we at EMAG have been fighting to win just that. It has been a hard struggle with the UK government, and especially against the Treasury (the UK's finance ministry) but finally last month, when a Conservative and Liberal Democrat coalition replaced the Labour government, we believed we were close to winning. But now we're worried because it looks as if the new government, under the influence of the same Treasury officials, is trying to avoid honouring its recent commitments to us.

You may recall that in June 2007, after the special "EQUI" enquiry, 602 members of the European Parliament voted to call on the UK government to properly compensate the victims of this scandal.

Continued overleaf

In 2008, after four years of investigation, the UK's Parliamentary Ombudsman issued a very detailed report which concluded that the government had failed to regulate Equitable properly for at least ten years. The then government grudgingly accepted only some of her findings but rejected those that involved the biggest losses, and we at EMAG had to spend hundreds of thousands of pounds to successfully challenge this unfair rejection of findings in court.

Even then however, instead of creating an independent commission as the Ombudsman recommended, the last government appointed Sir John Chadwick to advise the Treasury, with terms of reference which were very carefully crafted to minimise payouts ONLY to those Sir John deemed to be "disproportionately impacted". That's not compensation.

We opposed this process but were unable to stop it. However, the UK general election in May 2010 gave us the opportunity to ask the new Members of Parliament to sign a pledge to support proper compensation that would be "swift, simple, transparent and fair". Promisingly, 380 out of the 650 MPs have signed.

We also persuaded the new government to announce its intention to "implement the Ombudsman's recommendation to make fair and transparent payments to Equitable policyholders, through an independent payment scheme, for their relative loss as a consequence of regulatory failure." We expected that the new government would create an independent tribunal who would decide our losses, as well as devising the scheme and overseeing the fair distribution of compensation. But, to our utter dismay, it was decided to continue with the obsolete and inappropriate "Chadwick Process" completely unchanged. When Sir John Chadwick reports in just a couple of weeks time, without giving us any prior sight or opportunity to challenge the report and its conclusions, the UK government intends to announce a total figure for the compensation that it plans to give us.

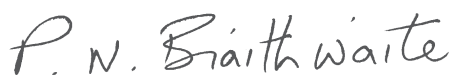
That's not fair – especially if it is built upon Sir John Chadwick's misguided work. His remit was to address only the parts of the Ombudsman's findings the last government did accept and then whittle away payments with a number of spurious, invented reductions.

We believe that the government's compensation figure could be as low as £1 billion. This is only 20% of EMAG's widely accepted estimate of investors' true comparative losses of £4.67bn, a figure supported by other independent evidence and the only estimate reproduced in the Ombudsman's report.

You should be entitled to be compensated for 100% of your losses but the UK government is likely to try to short-change you. Under European Law it was the UK regulator who is responsible for your consumer protection. This is probably your very last chance to speak out.

Please write TODAY to your three Members of the European Parliament to demand that you not be overlooked and that the total amount of compensation payable to you should be fair and not reduced because of the UK government's financial difficulties. With your help, there's real hope we can cause a change of heart and make the UK government agree to "do the right thing" by us all.

Yours sincerely,



Paul Braithwaite
General Secretary
Equitable Members' Action Group (EMAG)

PS: You can join EMAG and pay the €30 annual subscription by credit card on our website at: www.emag.org.uk



EMAG Compensation fact sheet June 2010

Facts you can mention to your MEPs when meeting or writing

- The UK Treasury has refused to show EMAG how they are calculating the basis for compensation - why would they refuse unless they have something to hide?
- EMAG's estimate of the compensation due (our losses) was **£4.67 billion** in 2008 when it was published by the UK Parliamentary Ombudsman. Since then we have suffered further loss of interest, inflation etc, so **£5 billion** is a reasonable estimate.
- In July 2001 the Chairman of the FSA Sir Howard Davies told the Treasury and the Bank of England that it would cost between **£3 billion and £5 billion** to keep Equitable afloat. If Equitable Life had been allowed to go under at that point, the FSCS (Financial Services Compensation Scheme) would have been expected to compensate us with 90% of our guaranteed policy values.
- In 2001 the cuts imposed by Equitable Life on policy values came to a total of **£4.9 billion**.
- On 3 April 2010 the Daily Mail's front page lead article read: *"Up to a million victims of the Equitable Life scandal will be compensated at last if the Tories win power. Policyholders - and the families of 30,000 who have died waiting for justice - will be given rapid payouts that could total £1billion."*
- Sir John Chadwick's tacit brief from the previous UK government was to pare down the estimate of losses by every device possible – allocating reductions for blaming of other parties, looking only to compensate victims who had been "disproportionately impacted" and the latest trick – creating two categories of loss, one of which is based on a fantasy version of how Equitable Life would probably have fared if it had been properly regulated compared with all the other worst performing companies. You can be sure that this scenario will show that (surprise surprise) the outcome would have been little different and therefore we haven't really lost any money. That will, unless we can complain loudly enough, be the ruse that will be used to justify why we apparently really haven't lost much.
- And who are the independent actuaries doing the sums for the UK Treasury? Towers Watson - who in turn are being "peer-reviewed" by a panel of other actuaries, nominated by themselves and hand-picked from the shortlist by Sir John Chadwick - who is being paid by the UK Treasury. Do you think that is independent? All behind closed doors and with EMAG and other policyholder representatives refused sight of their work or any chance to challenge it.
- Despite repeated requests from EMAG, the new UK government has refused to alter Sir John Chadwick's terms of reference in any way from those set by the previous government, some of which are totally at odds both with the UK Ombudsman's recommendations for independently determining compensation and the promises made by the new government.
- The new Treasury minister, Mark Hoban, has written that he expects to announce the sum of compensation that the UK government will pay out, immediately after the Treasury publishes in mid-July the highly dubious Chadwick report. But that report is obsolete because its terms of reference are at odds with the new coalition government's commitment to fair compensation for the injustices the Parliamentary Ombudsman reported should give rise to fair compensation. It just looks like the last governments dodgy plan repackaged, but with the level of payout unchanged. And we'll all be short-changed.
- Why should thousands of Irish (and German) Equitable investors have their fair compensation reduced at all because of Britain's parlous economy?
- Thus far, the UK hasn't even thought for one minute about the 15,000 European investors. There's been NO correspondence between the UK Treasury and the Irish or German regulators – NONE! The assumption is that you will all just get the same as in the UK. Is that fair treatment by another member state when you relied on the UK regulators for your protection?

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