

Mark Hoban MP
HM Treasury
1 Horseguards Road
London
SW1P 2HQ

18th January 2012

Dear Mark,

On 13 December we held a meeting with Paul Braithwaite and Paul Weir of the Equitable Members' Action Group (EMAG). We are sure you are familiar with EMAG and the tireless work that they have done for Equitable Life policyholders over the last decade and more.

As Liberal Democrat MPs we are proud of the part we played from the beginning in supporting EMAG's campaign for compensation. We were pleased to include a commitment to "swift, simple, transparent and fair" compensation in our party's manifesto and to have signed personal Pledges of support. Hence we are proud of the priority given to the Equitable Life (Payments) Act passed in December 2010 and proud of our party's contribution to what our Government has achieved so far.

EMAG is clear that last year's Act and the compensation scheme it established are positive steps after so many years of being denied by the Labour Government. They recognise the support that members of the Coalition Government have given. Nonetheless, you will be aware that they continue to have serious concerns. EMAG and independent actuary David Forfar make a compelling case for the inclusion of the 10,000 pre-September 1992 with-profits annuitants (WPAs). Many of us have already written to you, under the umbrella of the APPG for Justice for Equitable Life Policyholders, to voice this concern and to press for their inclusion on the same basis as those post that trigger date.

However, we write this letter with regard to a separate issue: the delivery of the compensation scheme. Many of our constituent annuitants had expected that by now, one year after the passing of enabling legislation, they would have received compensation. Instead, it is becoming clear that the scheme has got off to a very slow start and that it is believed that no payments whatsoever have yet been made to WPAs -the group identified as deserving of prioritisation. MPs from all parties have sought through parliamentary questions to ascertain how many compensation cheques have been sent. The answer to November was "hundreds" but, encouragingly, last month you told Duncan Hames during Treasury questions that 3,000 payments had been made on the previous day.

We would be grateful if you could clarify how many cheques have been sent to date, identifying separately how many were to WPAs, if any. It is clear from our own correspondence that the vast majority is still waiting and are – to say the least – frustrated at the lack of progress. Greater transparency on the progress of the scheme and a timetable for the "ramping up" of payments, published at regular intervals on the Scheme website, would help to allay our constituents' anxieties about whether they have been left off the list. Your promise of a report by the end of January gives little comfort.

Even once the scheme begins delivery in earnest – as we trust will happen soon – we anticipate a great deal of resentment that payments to the WPAs are to be staggered over five equal annual increments to those eligible, taking until 2016 to complete compensation due to 2009.

We appreciate that the poor state of public finances limits the scope of the scheme but this rationale for limiting the total pot should not be used for a second bite to justify dragging out the scheme. It is regrettable that many policyholders will not live to receive the full compensation they have been promised. We urge the Government to reconsider this element of the scheme and to accelerate the rate of payment into a shorter time frame within the CSR with single one-off payments which would reduce admin costs. After all, the money has been allocated.

The situation is exacerbated by the decision to make payments to the Estates of the deceased as a priority. It is a cruel irony that some policyholders would receive the compensation to which they are entitled quicker if they were to die. There is a serious question as to the value of this prioritisation. Executors can be most difficult to trace and we would question whether they are likely to consider the cost and trouble of reopening probate to be justified for the size of the compensation pot they will receive. We ask you to consider whether it would not be better to prioritise living policyholders. We understand that all the costs of administration and distribution fall outside the promised distribution of £1bn compensation and we suggest that the gesture of monies not banked by Estates being added back rather than being quietly pocketed by the Treasury would be much appreciated.

It would be a great shame if the inefficiencies of the compensation scheme were to detract from what our Coalition Government has achieved for Equitable Life policyholders. We would welcome your considered opinion on the matters raised in this letter and reiterate our belief that changes can be made to ensure that the compensation delivered is swift, simple, transparent and fair, as promised. At present, many of our constituents feel this is not the case.

Yours sincerely,



Mike Crockart MP



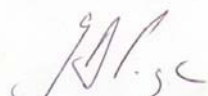
Duncan Hames MP



Stephen Lloyd MP



Tim Farron MP



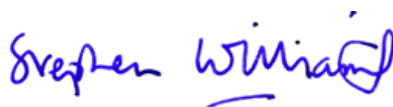
John Pugh MP



Alan Reid MP



Dan Rogerson MP



Stephen Williams MP