



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

28 September 2010

Dear Colleague,

I last wrote to Members in July with an update on Equitable Life. Many of you expressed an interest in being kept up to date with developments therefore I hope you find the information below useful. I would be grateful if you could share the contents of this letter and my previous updates with constituency members who contact you on this matter.

As you will be aware, Members of Parliament have now had the first opportunity to debate the main principles of the Equitable Life (Payments) Bill at its second reading on 14 September. Whilst the precise details of the payment scheme have yet to be worked through, I am sure you will agree that the Bill itself is an important step forward, as it allows payments to be made.

In July, I appointed Brian Pomeroy, John Tattersall and John Howard to form the Independent Commission on Equitable Life Payments. The Commission will advise the Government on the allocation of payments and the design of the scheme. The Commission has already started its work and the Chairman – Brian Pomeroy – has recently invited all interested parties to submit their views to [secretariat@icelp.gsi.gov.uk](mailto:secretariat@icelp.gsi.gov.uk). They have been asked to report in January in order that we can achieve our ambition of having the payments scheme up and running and making first payments by the middle of next year. Further information on the Commission can be found on their website <http://equitablelifepayments.independent.gov.uk/>

When I published Sir John Chadwick's advice on the financial losses sustained by policyholders in July, I said I would respond formally in October as part of the Spending Review. I also invited interested parties to make representations to the Treasury, so they could be considered as part of the preparations for the Spending Review. I have received a number of written representations, for which I am grateful. I have also met with the Equitable Members' Action Group (EMAG) Board, Equitable Life and Equitable Life Trapped Annuitants. The discussions and representations have been informative and I am feeding them into the decision making process in the run-up to the Spending Review.

I am also aware that all Members received a letter from the Parliamentary Ombudsman setting out her concerns about Sir John's advice. I have since met with the Ombudsman to get a clearer idea of the details of her concerns. And whilst I recognise these, it is important to note that the Ombudsman has also welcomed much of the Government's approach, including: the establishment of the Independent Commission; the publication of a clear timetable for beginning payments; and the commitment to consider representations on the best way forward.

It is worth remembering a further aspect of the Ombudsman's recommendations which we should not lose sight of. In her report the Ombudsman said "*that the public interest is a relevant consideration and that it is appropriate to consider the potential impact on the public purse of any payment of compensation in this case*". She also noted that implementing her recommendations for a compensation scheme "*might entail opportunity costs elsewhere through the diversion of resources*". Members will recognise that this is going to be an especially tight Spending Review across Government and the public services and I will therefore be keeping this recommendation from the Ombudsman recommendation in mind when considering the settlement of the Equitable Life issue.

Like you, I personally want to see a swift end to the plight of Equitable Life policyholders. I hope you take comfort in the knowledge that I am doing all that I can to resolve the matter as quickly as possible. I will provide you with a further update at the Spending Review on 20 October. In the meantime, further information can be found on the Treasury's website: [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ma M'.

Mark Hoban