

## **Equitable Life**

### **What the Coalition needs to do to fulfil its promise**

The Government will shortly announce the next steps it plans to take on Equitable Life.

From what we are seeing, EMAG is extremely concerned that policyholders could face another Treasury led stitch-up, based on:

- a misguided continuing reliance on Sir John Chadwick, whose narrow, unfair and discredited remit was designed by the previous Government solely to arrive at the smallest possible figure for an ex gratia hardship scheme – not compensation for the injustices found by the Parliamentary Ombudsman (PO);
- allowing the amount of policyholder losses to be calculated by the Treasury, not relative to investment in competitor products as recommended by the PO, but by reference to an entirely hypothetical model constructed by Sir John Chadwick and his team of actuaries, appointed, instructed and paid by the Treasury; and

- leaving the new independent commission with the unenviable task of distributing the crumbs, having had no say in calculating the true losses.

This would be unfair to the million policyholders, many elderly and increasingly infirm, who are relying on the new Government to break with the past and finally deliver the justice they have been promised by the Coalition. They are expecting what it says on the tin: fair, transparent and as recommended by the PO.

For a decade, the Treasury has covered up Equitable Life's weakness and avoided paying out any compensation. The PO found that policyholders were justifiably outraged by its subcontractors' maladministration. The Treasury created and expected to oversee the "Chadwick Process" in order to limit payouts to those "disproportionately impacted", with further reductions for bodies not even within the scope of the PO's report. Policyholders' mistrust of the Treasury is very well founded.

Equitable Life's victims are looking to the new Coalition to deliver on its promise to implement the Parliamentary Ombudsman's recommendations in order to put right the injustices she found. Further, 380 newly-elected MPs have signed personal pledges confirming that it is their intention to honour the PO's recommendations.

To deliver on this promise means:

- **Creating an independent body to ASSESS relative loss.** MPs and policyholders alike have a right to expect the assessment of relative loss to be independently established.

The report to be published shortly by Sir John Chadwick was commissioned by the Treasury in order to support the discredited, unfair approach of the previous Government – an approach the Coalition parties rejected prior to the election and that the Ombudsman herself said absolutely could not lead to justice. Sir John Chadwick's report cannot be relied on to determine relative loss. Its terms of reference, which are unchanged, were to a brief incompatible with the Coalition's promise. It does not address all the PO's findings and it rejects her stated intention that the findings should be taken as a whole and not treated individually. To have any shred of legitimacy with policyholders, relative loss **must** be determined by the independent body envisaged by the Ombudsman, not by the Treasury and its paid advisers.

- **Ensuring transparency** – in which policyholders and their representatives are given the opportunity to scrutinise and challenge calculations and conclusions. EMAG has not been given answers or access to the calculations and data that it has asked for, even by the new Government. Those who have engaged with Sir John Chadwick have uniformly become alarmed and disillusioned by his direction of travel and his seeming to be in thrall to the Treasury. It would be grossly unfair to publish the Chadwick report simultaneously with announcing a quantum for compensation with no time allowed for response and rebuttal.
- **Fairness in the amount of money allocated**

**for compensation.** The Ombudsman concluded that policyholders should be compensated for any losses which would not have been suffered had they invested elsewhere. EMAG has calculated these losses at around £4.7bn – a figure included in the Ombudsman’s report that has not been contested in the two years since publication, even in select committee hearings. EMAG and policyholders recognise that it is for the Government and Parliament to determine the total compensation pot. But the million Equitable Life victims who have been waiting for justice and compensation for 10 years should not bear the brunt of cuts caused by bankers’ greed or the irresponsibility of the last Government’s overspending.

**Time is short. Please do what you can to ensure that our fears above are shown to be misplaced and that the Coalition delivers the justice expected. As the Prime Minister said at PMQs, “we need to get it done” - but more importantly we need to get it done right.**

**Paul Braithwaite  
For EMAG Ltd**

Footnote:

Lord Penrose’s enquiry found that Equitable Life’s policy values were slashed by £4.9bn in July 2001.

The PO report evidences that the chairman of the FSA, Sir Howard Davies, told the Treasury in July 2001 ‘that something between £3 billion and £5 billion would [be needed to] make [Equitable] solvent. ‘