



An independent association of  
Equitable Life Members & Policy-Holders  
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## Equitable Members Action Group Ltd

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HM Treasury  
1 Horse Guards Road  
London SW1A 2H

Dear Mr Osborne,

I write with regard to a letter from you to your constituent, Mr Gordon Latta, (dated 16 November) regarding the Equitable Life Payment Scheme. Mr Latta has copied your letter to me as General Secretary of the Equitable Members' Action Group (EMAG).

I am often in contact with the Financial Secretary with regard to the compensation scheme – as are the ninety-plus members of the **APPG for Justice for Equitable Life Policyholders**, for which EMAG is the secretariat – so I expect you are aware that EMAG has a number of concerns about the compensation payment scheme.

I am pleased that you feel able to refer your constituent to EMAG's website and view EMAG as a reliable source of information for Equitable policyholders. I would ask however that in future you take greater care not to create the impression that EMAG endorses positions held by HM Treasury. In particular I am concerned that Mr Latta may have been tempted to believe EMAG agrees with your colleagues deplorable decision to exclude policyholders who bought With-Profits Annuities (WPAs) prior to September 1992. We do not.

The government's view, which you reiterate in your letter, is that the pre-'92 WPAs benefitted from over-bonusing in the early years of their policies but would have seen no such results in later years due to poor investment market performance. Independent research into the actual evidence by experienced actuary David Forfar has shown both claims to be false. A report produced by him – on an entirely voluntary basis without payment – clearly indicates that the reduction in the level of Equitable's WPA payments was NOT due to poor investment market performance. Similarly, he demonstrates that the level of over-bonusing was so negligible (1%) as to be irrelevant. Thirdly, he dismisses the Treasury's claim that Equitable's WPA payments were artificially high owing to the structure of the product.

The pre-'92 WPAs are the most vulnerable and elderly policyholders. The Parliamentary Ombudsman and Sir John Chadwick both stated that they did not envisage pre-'92 WPAs being ineligible for inclusion in the payment scheme. The Parliamentary Ombudsman simply recommended that the payment scheme should put people who suffered loss arising from maladministration back to the position they would have been had maladministration not occurred.

Given Mr Forfar's evidence, it is clear that the current scheme fails to do this, particularly with regard to the pre-'92 WPAs. The PO, Ann Abraham, wrote explicitly to Sir John Chadwick on 20 August 2009 to clarify her view on their eligibility:

*".. my recommendation for redress covered all those who suffered relative loss" and the pre-1 September 1992 WPAs are suffering relative loss on a continuing basis...."*

EMAG (and our supporters in Parliament and the country) will continue to make the strong humanitarian case for the excluded pre-'92 WPAs. We ask you include this group of policyholders within the payment scheme and to apply the same methodology for assessment and compensation calculations for the pre-'92s as has been done for the post-'92s through to 2009. We believe that the bill would be little more than the currently unallocated £100 million contingency plus the undistributed allowance for Estates which, for a variety of reasons, will not be distributed/cashed. It is frankly astonishing that this quantification has apparently never been calculated.

Mr Latter tells me that the reason for his initial letter was to press you on the speed and method of compensation payments. EMAG have serious concerns at the slow progress of the scheme which we know are shared by policyholders and many of your colleagues in Parliament.. Most of the eligible post-'92 WPAs had reasonably expected a big cheque in this last summer. They have been perplexed to learn that they will not receive any compensation until 2012 and then the compensation that is their due for the years up to 2009 will be eked out in five annual payments, taking until 2016. They had been led to believe by your CSR Statement that they were recognised and prioritised for payments.

Like Mr Latter, I urge you to make sure the payment scheme is fast and effective and to ensure that it is made fairer by including the pre-'92 WPAs and by expediting payments.

Yours sincerely,

**Paul Braithwaite**

General Secretary of the Equitable Members' Action Group (EMAG)

cc. Mr Gordon Latter