



An independent association of  
Equitable Life Members & Policy-Holders  
funded by subscription

## Equitable Members Action Group Ltd

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<Title> <First\_Name> <Surname> MP  
House of Commons  
London  
SW1A 0AA

16 January, 2006

Dear <Salutation>,

The Equitable Members' Action Group (EMAG) seeks to represent the interests of more than one million current and former Equitable Life policyholders - some of whom are your constituents - who lost a sizeable part of their retirement savings, in total more than £3bn, following the devaluation of all policy values in July 2001.

EMAG was formed over five years ago, when the problems at Equitable first became apparent. We have always sought to represent all of the classes of investor in Equitable and have received subscriptions from more than 15,000 members. Our primary purpose is to achieve payment of compensation from the UK Government for what we maintain has been catastrophic and serial regulatory failure, dating back to the 1980s. A background briefing paper is enclosed for your consideration.

As you may be aware, Ann Abraham, the Parliamentary Ombudsman (PO), has been investigating the 'prudential' regulation of Equitable Life, extending back to the 1980s. 'Prudential' regulation means ensuring that Insurance companies have enough assets to meet their liabilities to policyholders. Various reports, notably by Burgess Hodgson (March 2003) and Lord Penrose (March 2004) have established that during the 1990s Equitable consistently declared bonuses that resulted in its assets falling well short of the aggregate of policy values that it reported to policyholders. This practice of 'over-bonusing' built up to a shortfall of more than £3bn, despite the peak of the stockmarket in 2000, and left Equitable with no margin in hand to meet the extra cost ramifications of the House of Lords ruling about Guaranteed Annuity Rate policies.

There was an earlier PO investigation into Equitable Life but it was restricted to just one case and only for the period 1999-2000. This found no mal-administration. However, its narrow terms of reference precluded the earlier period. EMAG, unlike the Treasury and the FSA, actively encouraged the commissioning of the second study by the PO, with its much broader remit and this should be completed and presented to Parliament shortly. We have cooperated with the Ombudsman's Investigation team and believe that this time the job has been thorough.

But the PO's remit is very restricted: it excludes the FSA, any consideration of EC law, 'conduct of business' regulation and Equitable Life itself. Because of these restrictions in remit and an ongoing deep-seated feeling of injustice, EMAG petitioned the European Parliament. You may have read recently that more than 200 MEPs from all political groupings were sufficiently concerned about the unaddressed continuing plight of Equitable investors that they agreed to support

EMAG's Petition.

On 12 January 2006 the Conference of EU Presidents agreed the unusual step of setting up a Committee of Inquiry into Equitable Life, to be conducted by 22 MEPs. The need for this action is a sad indictment of the UK Treasury's persistent failure over six years to address Equitable satisfactorily and calls into question the competence of the UK regulator. We are optimistic that the EU Committee will confirm what we have already demonstrated - that a million savers across Europe were - and still are - victims of the UK Government's maladministration.

To paraphrase Michael Cashman MEP who spoke following our address to the Petitions Committee of the European Parliament, Equitable policyholders were not seeking to speculate on some high-risk gamble. They were acting as responsible citizens, doing as their Governments encouraged by saving in what was presented as being regulated and as one of the safest and most sensible investments possible - a With Profits pension.

We appreciate the considerable support from a number of sympathetic MPs acting rightly and properly in the interests of former and current Equitable policyholders in their constituencies. We have noted that an EDM on Equitable has recently been tabled. Whilst it is undoubtedly well intentioned, we would caution that it addresses the plight of only a tiny fraction of those who suffered losses whilst unfairly pre-empting the PO's imminent report to Parliament.

EMAG has given a great deal of information and help to the PO's Investigation and we are optimistic that it will give a definitive answer to whether there was maladministration in 'prudential' regulation warranting compensation to the individual investors. We also believe the PO has a vitally important role in our democracy. The Treasury has already proved adept in blocking progress to honourable resolution of the Equitable scandal. We therefore think that it is of paramount importance for MPs from all parties to ensure that the Treasury honours any and all of the PO's recommendations. We will write to you again when the PO's report has been tabled.

Members of EMAG's team, all of whom give their services as directors voluntarily, are more than willing to come and visit you at Westminster for a face-to-face briefing should you desire it. Please, do not hesitate to make contact if we can be of assistance or if you want further information.

With kind regards,



Paul Braithwaite  
General Secretary

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