

Front page:

## David Cameron's deal on Equitable Life payouts 'a slap in the face'

Equitable Life policyholders said that they had been given a “slap in the face” by a government announcement that they would only get back a quarter of the money they lost.



Pensioners carry a coffin during a protest outside parliament in London in November 2009.



By [Rosa Prince](#), Political Correspondent 9:44PM GMT 26 Jan 2011

[David Cameron](#) was accused of “cynically” raising the hopes of more than a million policyholders by promising when in opposition to “sort out” Equitable Life, only to limit payments to the level agreed by the last government.

The awarding of “proper” compensation to Equitable victims was included in both the Conservative and Liberal Democrat election manifestos.

All 97 MPs on the Tory front bench team signed a pledge to the policyholders’ action group to introduce adequate payments.

But the exact amount of compensation was never specified. Yesterday, the Treasury announced that 945,000 with-profits policyholders would receive 22.4 per cent of their losses, with younger members having to wait up to three years for payments.

The figure was similar to that set by a retired judge as part of a review led by the Labour government, which was heavily criticised by the Conservatives.

Paul Weir, of the Equitable Life Action Group, accused Mr Cameron of making his pre-election pledge to win the votes of policyholders, despite knowing it would be unlikely that cash could be found to deliver his promise.

“This is a slap in the face for Equitable Life policyholders, and it is certainly not what we voted for in May,” he said.

“Just before the election, politicians were falling over themselves to appear to back us, but what has been delivered is not what we have waited all these years for.

“Even as they were playing footsie with us, signing our pledge, they were already planning to renege on it. It’s not like they opened the cupboard and suddenly found out the money wasn’t there.

“If we have to wait until the next election to use our votes again to show what we think of their compensation package, then we will do that.”

Mark Hoban, a Treasury minister, said: “We have always been committed to making fair and transparent payments to Equitable Life policyholders, through an independently designed payment scheme, for their relative loss as a result of regulatory failure.”

The Government had previously announced that another 37,000 people with Equitable Life annuities would be compensated for their losses in full, with regular payments for life. Large numbers of victims have already died before receiving compensation.

Mr Hoban said that their estates would be the first to receive the new compensation awards for with-profits policyholders, along with elderly members.

But younger people could have to wait until 2014 — 14 years after the scandal broke — with a total of £775 million due to be paid out to without-profits policyholders, with no interest.

**Telegraph**.co.uk

## **Equitable Life policyholders to get less than a quarter of money they lost**

**The majority of Equitable Life policyholders will receive less than a quarter of the money they have lost in compensation and 100,000 people will get nothing at all, the Government has announced.**



Pensioners carry a coffin during a protest outside parliament in London in November 2009.  
3:03PM GMT 26 Jan 2011

Around 945,000 with-profits policyholders at the society will receive redress equal to just 22.4pc of the relative amount they have lost due to the problems at the society, compared with if they had invested their money with another life insurer.

But 100,000 people who would be in line to receive less than £10 will not get any money, due to the disproportionate administrative costs involved in making the payments to them.

The Government has previously announced that 37,000 with-profits annuitants, who are trapped at the society, would be compensated for their losses in full, with the money paid in regular instalments for the rest of their lives.

The decision left around £775 million of the £1.5 billion allocated for compensation to be shared out among the remaining one million policyholders.

Losses will be assessed on a per policyholder, rather than a per policy, basis, and the payments will not be means-tested.

Compensation will be paid to the oldest policyholders first, as they are likely to be the least able to wait for the money.

The estates of deceased policyholders and those of people who die before receiving a payment will also be prioritised, to reflect the fact that the beneficiaries are likely to be vulnerable.

The recommendations were put forward by the Independent Commission on Equitable Life and have been accepted by the Government.

The Government now plans to publish a scheme design setting out when payments will be made, which will be available for Parliamentary scrutiny in the spring.

Financial Secretary to the Treasury Mark Hoban said: "We have always been committed to making fair and transparent payments to Equitable Life policyholders, through an independently designed payment scheme, for their relative loss as a result of regulatory failure.

"I am grateful for the work the Commission has done to establish policyholders' concerns and have used this to recommend the principles of the payment scheme."

The Parliamentary Ombudsman called for policyholders to be paid compensation after finding 10 instances of maladministration by regulators and Whitehall officials in relation to Equitable in the period leading up to December 2001.

It is estimated that policyholders at Equitable Life have lost £4.3 billion compared with if they had held their money with another institution.

Equitable Life was brought to its knees in 2000 when it lost a legal battle in the House of Lords over the rights of policyholders, forcing it to close to new business.

Worth £26 billion in its prime, it now has around 200,000 with-profits policyholders and a £5.54 billion with-profits fund.

The Equitable Members Action Group said: "This amounts to only 15pc of what victims have actually lost. We are digging in for a long campaign to get the rest. This will do nothing to restore any confidence in the security of people's pensions."

**Telegraph**.co.uk

## **Not such an Equitable Life**

**Thousands of survivors of the Equitable Life were once again left in the lurch yesterday by a Government announcement on compensation.**

By Jonathan Russell, City Diary Editor 7:38PM GMT 26 Jan 2011

In a statement to the House Treasury minister Mark Hoban used many words to say very little about the cash they may, or may not get. This was "fair and transparent" said Hoban encouragingly before informing policyholders they didn't need to do anything yet to claim their money.

Not so encouraging. What did the Equitable Life policy holders think of all this? We nearly didn't find out. The Treasury chose the same day the Equitable Members' Action Group was having its AGM to make the announcement. The one day of the year when they were all otherwise engaged. Not very equitable.

## Equitable Life scandal shows that it's really an inequitable life

**Nobody needs to tell more than 1m Equitable Life policyholders that life ain't fair.**



Equitable's actuaries, auditors and regulatory authorities failed to do anything to prevent this slow-motion car crash Photo: PA  
By Ian Cowie 9:54PM GMT 26 Jan 2011

That really would be rubbing salt into the wounds after more than a decade of disappointment, in which they discovered through a "death by a thousand cuts" just how badly Britain's oldest insurance company was run and regulated.

Their bad luck began when many believed the now-infamous advert, boasting the smug catchphrase: "It's an Equitable Life, Henry." It continued when the board of directors decided to run a seriously over-promised fund. They did so by selling with-profits pension savings plans that appeared to benefit from much higher bonuses than the industry average, plus guaranteed annuity rates that the company could not afford to honour.

Possibly the worst piece of bad luck to afflict policyholders was that Equitable's actuaries, auditors and regulatory authorities failed to do anything to prevent this slow-motion car crash.

Finally, the savers who hung on in hope of justice are horribly unlucky to find that the final judgment on this scandal should be handed down during the worst economic crisis since the 1930s. That, more than anything else, is the reason 945,000 savers are going to receive compensation equal to less than a quarter of their losses. But there is little point in barking at the moon. Equitable's victims are unlikely to get a penny more than they are being offered today.

Looking to the future, the lesson most savers will draw from this scandal is not to trust insurance companies peddling complex products ordinary people cannot understand. Even the actuaries, auditors and regulatory authorities were fooled.

# Telegraph.co.uk

## Harsh lessons from a decade of disappointment at Equitable Life

By Ian Cowie Your Money Last updated: January 26th, 2011



Equitable Life policyholders know life is not fair

Nobody needs to tell more than 1m Equitable Life policyholders that life ain't fair. That really would be rubbing salt into the wounds after more than a decade of disappointment, in which they discovered by means of this 'death of a thousand cuts' just how badly Britain's oldest insurance company was run and regulated.

Their bad luck began when many believed the now-infamous advert, boasting the smug catchphrase: "It's an Equitable Life, Henry." It continued when the board of directors decided to run a seriously over-promised fund. They did so by selling with-profits pension savings plans that appeared to benefit from much higher bonuses than the industry average, plus guaranteed annuity rates which the company could not afford to honour.

By the end of the 1990s, interest rates had fallen to the point where it was impossible to deliver on guarantees sold during earlier decades. Equitable was, in effect, an insurance company that had not bothered to obtain any insurance against the risk that rates would fall.

Possibly the worst piece of bad luck to afflict policyholders was that none of Equitable's actuaries, auditors or regulatory authorities did anything to prevent this slow motion car crash. That was really rotten luck for those who decided to ignore warnings which the board

arrogantly called “misleading press comment” that appeared here and elsewhere from 1998 onwards.

Finally, the savers who hung on in hope of justice are horribly unlucky to find that the final judgement on this scandal should be handed down during the worst economic crisis since the 1930s. That, more than anything else, is the reason 945,000 savers are going to receive compensation equal to less than a quarter of their losses.

How bitterly they may compare this paltry payout with the way the previous government bailed out depositors in Icelandic banks immediately and in full. But, back then, British taxpayers had no idea just how precarious our own finances were and such magnanimous gestures seemed affordable.

Those illusions have evaporated in heat of the credit crisis. Here and now, there is little point in barking at the moon. Equitable’s victims are unlikely to get a penny more than they are being offered today.

Looking to the future, the lesson most savers will draw from this scandal is not to trust insurance companies peddling complex products ordinary people cannot understand. Even the actuaries, auditors and regulatory authorities were fooled.

Simple and transparent investments – like most individual savings accounts (Isas) and self-invested personal pensions (SIPPs) – are the best protection against an uncertain future. After all, it’s an inequitable life, Henry.

Paul Farrow article not digitised.

# Business

Thursday, January 27, 2011 Live updates plus informed analysis telegraph.co.uk/finance

**Job undone** Employers fear charter will not create growth **B5**

**Cider is rosy** Strongbow aims to be the world's latest tippie **B3**

## BP admits oil leak in pipeline in Dorset has shut field

By Rowena Mason

BP suffered an oil leak in the Dorset coastpipe late last year, causing such concern that its biggest onshore field in Western Europe has been shut down for the past two months.

The oil giant launched a review of all its pipelines at the Wytch Farm site following the incident – less than a year since the Gulf of Mexico oil leak put the company's health and safety record under scrutiny. Wytch Farm has not

been producing its 25,000 barrels per day since November and the pipeline where the leak was discovered has been undergoing maintenance ever since. Nobody has been sent down into it to check its condition. BP did not release any public statements at the time of the leak but yesterday told The Daily Telegraph that the cause was due to "extruder material" because of the US well.

"Because of what happened last year, anything that looks like there could be a pipeline integrity issue means we are being extra careful," a BP spokesman said. "It was noticed when somebody observed a small amount of oil from a pipeline seeping in concrete and sand had flown to the surface of the road."

"We've replaced that section of pipe and as a precaution we've been operating all the key pipelines down there... Old and damaged pipelines

from the North Slopes and pushing up the price of oil by almost \$2 (£1.25) per barrel. BP is not the only company to see recent corrosion of its UK assets. Royal Dutch Shell launched an inquiry this month after a piece of platform fell into the North Sea. It shut down the Brent Bravo platform immediately, as well as three others on a precautionary measure. Nobody was injured nor was there any danger of a spill, opening a leak last month, shutting down production

**25,000**  
The number of barrels per day BP's Wytch Farm site has not been producing since November

have been the source of several leaks from BP's assets in Alaska, including the serious Prudhoe Bay spill in 2006. The Alješka pipeline, which is half-owned by BP, sprung a leak last month, shutting down production

from the North Slopes and pushing up the price of oil by almost \$2 (£1.25) per barrel. BP is not the only company to see recent corrosion of its UK assets. Royal Dutch Shell launched an inquiry this month after a piece of platform fell into the North Sea. It shut down the Brent Bravo platform immediately, as well as three others on a precautionary measure. Nobody was injured nor was there any danger of a spill, opening a leak last month, shutting down production

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Health and Safety Executive. In December about 100,000 barrels of oil were spilled from the pipeline. The HSE said companies they had become so focused on preventing major offshore incidents that they are "neglecting general maintenance" of their oil and gas installations. The regulator found only one in 30 of Britain's North Sea oil platforms was in a good condition when inspected.

Asked about the Wytch Farm incident, a spokesman for the safety regulator said: "HSE is aware of the shutdown as such closure of a pipeline for 24 hours or more is reportable."

BP is expected to submit a report to the regulator and the Department of Energy and Climate Change said it was monitoring the situation. The field is now expected to re-open "within days". The oil giant was subject to an investigation in the North Sea which found new staff were not trained to "basic safety standards" just six months before its Gulf of Mexico accident.

## Bankers warn on dangers of over-regulation

By Kamel Ahmed and Richard Fletcher in Davos

GLOBAL economic growth is being put at risk by over-regulation of the financial sector and "wildly unregulated" and "irrational" risks being re-introduced across the world, according to the heads of one of Britain's biggest banks.

Peter Sands, Standard Chartered chief executive, warned that much of the new regulation could "stifle growth" and was contradicting governments' fiscal and monetary policies aimed at recovering from recession. "While new regulation was important, there was a major risk of over-engineering the solution," he said. Mr Sands' comments, made yesterday at the World Economic Forum in Davos, are echoed privately by many banking leaders. The Daily Telegraph has spoken to them with caution. "Bank banking" by politicians and regulators. One bank chief executive said regulation risks stifling competition and innovation in the sector. Another leading financial sector figure said no "single biggest thing" could undermine all the different regulations around the world and that regulatory arbitrage was an increasing risk. A third banking leader said the West was in danger of "regulating growth out of existence". Finally, Mr Sands

harder to access capital, he argued. In a survey of 400 high-technology companies in the UK, released last week by CIP, one of the biggest problems raised was access to funding and reasonable rates.

Mr Sands said that banks had been singled out when there were other important players in the financial crisis. "A broad diagnosis drives toward conclusions," he said. On the break-up of the universal banking model, being considered by the Independent Commission on Banking (ICB), he said that in a technology age it was impossible to have "fuzzy boundaries" around banking structures.

He said that universal banks were not effective and should be dismantled. "Mr Sands made an analogy with the airline industry, saying regulators were too focused on the safety of the planes rather than the safety of air traffic control. He said when a plane crashed, the strength of the seat belts was "in the margin" as an issue. He added regulators should consider their role in the run-up to the financial crisis. "Many of these people are the same people involved before the crisis," he said. Mr Sands' comments came as the ICB published the evidence submitted to it, which shows the divergence in opinion among large banks on the future of the industry. Companies would find it



## Equitable payouts a quarter of losses

By Paul Farrow

ALMOST a million Equitable life policyholders will receive compensation of less than a quarter of the money they have lost, the Government has confirmed.

The Chancellor, George Osborne, announced in his Comprehensive Spending Review last October that Equitable life policyholders would be entitled to share a compensation pot totalling £1.5bn.

The Government had previously said that 370,000 with-profits annuitants, who are trapped at the society, would be compensated for their losses in full, which would cost about £2.2bn. The decision left about £775m to be shared out among the remaining million policyholders, even though Towers Watson, the actuary, calculated that the total loss was £2.6bn. It means that 345,000 with-profits policyholders will receive redress equal to just 22.4pc of the relative amount they have lost – an average payout of just £820. The loss is calculated by comparing their loss with returns had they invested the money with a real company. A further 100,000 people who would be in line to receive less than £10 each will not get any money, due to the disproportionate administrative costs involved in making the payments to them. Mark Holton, Financial Secretary to the Treasury, said: "We have always been committed to making fair and transparent payments to

**60 SECOND BRIEFING**  
MARKETS  
FTSE 100



The rally on Wall Street after a record high, after the Dow broke through the 12,000 mark. Leading the charge was Aggreko, after Goldman raised a 10% rating. While Parashow share from the second day.

**BIGGEST RISER**  
AGGREKO  
1485p  
+750 (5.0%)

**BIGGEST FALLER**  
RANGDOLL  
4739p  
-114p (2.4%)

**DOW JONES**  
12002.96  
+25.77 +0.22%

The Dow Jones closed 12,000 for the first time since June 2008 as investors were buoyed by President Obama's State of the Union address and figures which showed the home sales ahead of forecasts.

**OTHER MARKETS**  
NYSE: 11,822.20  
NASDAQ: 2,891.00  
FTSE 250: 7,790.00  
DAX: 7,000.00  
Nikkei: 11,000.00

**CURRENCIES**  
GBP/USD: 1.5685  
EUR/USD: 1.3200  
USD/JPY: 75.00

**COMMODITIES**  
GOLD: \$1331  
BREXIT CRUDE: \$96.57

**BREXIT CRUDE**  
\$96.57  
+1.32 +1.28%

Oil prices rally sharply as positive economic figures emerged from the US and the Federal Reserve kept interest rates on hold.

...his memoirs **MPC member joins call for rate rise**

Paul Farrow article not digitised.

## BUSINESS

### BUSINESS BLOGS

**JEREMY WARNER**  
It's not technically a double-dip recession yet



# 'We are digging in for a long campaign to get the rest of it'



Continued from B1

Equitable Life policyholders, through an independently designed payment scheme, for their relative loss as a result of regulatory failures.

Brian Penrose, chairman of the independent commission on Equitable Life Payments, said: "I am very pleased that the Government has accepted all our recommended principles. We believe that our conclusions will deliver an outcome that is simple, transparent and fair for policyholders."

However, groups representing Equitable Life investors who had lost out disagreed and said that they would continue fighting to get fair and proper redress, which they say requires a compensation pot of £5bn.

Paul Hoyle, spokesman for the Equitable Members' Action Group (EMAG) said: "We are digging in for a long

### The Telegraph

Europe backs Equitable Life campaign  
telegraph.co.uk/finance

campaign to get the rest. We were holding our AGM at the time of the announcement and the anger in the room was palpable: the wall newspaper suddenly and will not let it go."

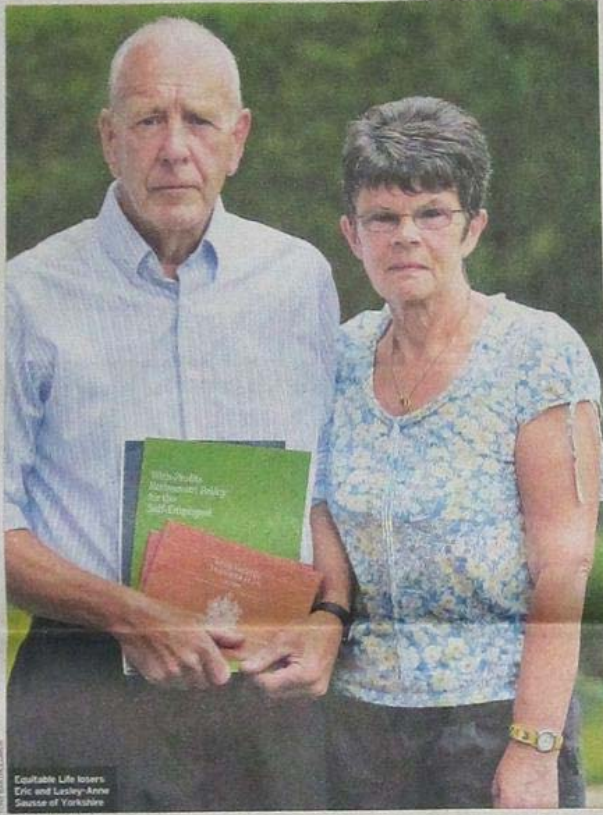
Policyholders who qualify for the payment have been told "not to do anything at this stage" as details of the scheme had yet to be drafted by the Government.

However, the Treasury did confirm that the oldest policyholders will be paid first, with the estates of deceased policyholders receiving a payment within the next three years.

The compensation offer also excludes about 10,000 widows' annuitants who bought their policies before 1992. The Government claims that these policyholders were not affected, because their incomes rose instead before falling back later.

Andrea Howe Blackman, an Equitable Life investor, said: "I am one of the minority who have been told they will receive 80pc of their losses, but there is no justice for the majority who will get around 50pc of their losses, or in some cases nothing."

The fight for Equitable Life is now in its second decade. It is estimated that around 30,000 pensioners have died since the insurer collapsed, without receiving their due compensation.



Equitable Life boss Eric and Lucy-Anne Gosse of Yorkshire

### LED BY THE WEB

- Bank of England chief Markyn King: standard of living to plunge at least 1% since 1920s.
- State pension in jeopardy for millions because of error in National Insurance contributions.
- Middle East and Asian investors lead massive demand for first A&A rated Euro-bank bond.
- IMF warns that US fiscal stimulus will do little for growth and may risk bond crisis.
- One in five people will stop work this year still in debt, owing an average of £33,000.

## City Diary

### Equitable members miss all the action

AG we record statements: thousands of survivors of Equitable Life were once again left in the lurch yesterday by a government announcement on compensation. In a statement to the House, Treasury minister Mark Hoban said many would be very little about the cash they may or may not get. This was "fair and transparent", said Hoban encouragingly. Before informing policyholders they didn't need to do anything yet to claim their money. Not so encouraging. What did the Equitable Life policyholders think of all this? We reached out to find out. The Treasury chose the same day the Equitable Members' Action Group was having its AGM to make the announcement. The coincidence of the get when they were all otherwise engaged, not very equitable.

### Hardcore response to perplexity

TWO responses to the extract from a Lloyd's overall contract I published yesterday. The contract wording was nearly impenetrable, including details such as: "During the period of the Facility, if we agree to grant you further Facility on the expiry of this Facility, we may charge Hardcore interest if any Hardcore borrowing occurs during the term of the Further Facility." One response I received was a message of this sort from the original sender of the message: "The real paragraph several times," he said. "I don't understand it and I'm an accountant!" The other was a note stating: "You are incapable of understanding the letter from Lloyd's regarding Hardcore interest; therefore you should consider handing your column over to a proper financial journalist." Here, there's an idea.

Jonathan Russell@telegraph.co.uk



### Chance to lead the life of Riley

HAPPY days of business: seven-year-old Daily Group. Underhand scheme at the company scripted a horse called Matthew Riley was missing in the night. Sogetel owner this week. Coincidentally for so he assumed that's the same name as the founder of the company. Underhand word went round and staff and suppliers decided to have a better. It came at 16.1. This Christmas bonuses next year covered them. Matthew.

### CASE STUDY 1

#### I'm keeping my fingers crossed for something

ERIC Gosse, 67, from Yorkshire, estimates his losses at about £40,000 and as he is not a member of the fund, will only receive around 50pc.

The former self-employed computer dealer said: "To be honest, after all this time, I have given up hope. I am just keeping my fingers crossed for something, whatever it is."

Mr Gosse added that he would like to see the Equitable Members' Action Group (EMAG) continue to fight their case. He said: "I am pleased with the work that EMAG has done. Some people have said they sit at home, but without the pressure from the action group I don't think there would have been any payout at all."

Mr Gosse, who is in his late 60s, said he was disappointed in the Government, and he had abandoned its election pledge.

"Conservative pledges in the past were the main reason I switched my allegiance from Labour, who had lost for my entire life. I wish I hadn't bothered," he said.

### CASE STUDY 2

#### This feels like thank you and goodnight

EIGHTY-year-old Nellie Davies has a with profits policy with Equitable Life, which should mean she is a priority case for repayment.

However, Ms Davies is not happy. "I am not holding my breath," she said. "I paid into my pension for 42 years - we were the generation that saved - and what have we got to show for it?"

Ms Davies worked as a secretary in the catering industry and had her pension transferred to Equitable Life by her boss when the company was bought by a new owner.

Ms Davies said that the level of repayment - an average of 22pc per policyholder - feels like a "thank you and goodnight" from the Government.

She said: "The older we get, the more care we need and the more money that costs but my pension pay out is less now than when I first drew them in 1992."

## This scandal shows that it's an inequitable life



**Ian Cowie**  
Comment

after more than a decade of disappointment, in which they discovered through a "death by a thousand cuts" just how badly Britain's oldest insurance company was run and regulated.

They had long begun when many believed the now-solvent advert, boasting the strong capitalisation. It's an Equitable Life, Henry. It continued when the board of directors decided to run a technically well-promised fund. They did so by selling with-profits pension savings

plans that appeared to benefit from much higher bonuses than the industry average, plus guaranteed annuity rates which the company could not afford to honour.

Possibly the worst piece of bad luck to afflict policyholders was that Equitable's actuaries, auditors and regulatory authorities failed to do anything to prevent this slow-motion car crash. Equally, the savers who hung on in hope of justice are terribly unlikely to find

that the final judgment on this scandal should be limited to barking at the worst economic crisis since the 1930s. That, more than anything else, is the reason 945,000 savers are going to receive compensation equal to less than a quarter of their losses. But there is little point in barking at the moon.

Equitable's victims are unlikely to get a penny more than they are being offered today. Looking to the future, the lesson most savers will draw

from this scandal is not to trust insurance companies peddling complex products ordinary people cannot understand. Even the actuaries, auditors and regulatory authorities were fooled.

Simple and transparent investments - like most individual savings accounts (ISAs) and self-invested personal pensions (SIPPs) - are the best protection against an uncertain future. After all, it's a very inequitable life, Henry.

## Equitable Life victims will get back just a QUARTER of their loss

By [Becky Barrow](#)

Last updated at 8:15 AM on 27th January 2011



Photo: Paul Weir, Equitable Action Group director says they won't accept the payout and will 'dig in' for every penny

Victims of the Equitable Life scandal were told yesterday that they will get compensation worth less than 25 per cent of their loss.

More than half of those caught up in one of Britain's biggest financial debacles will receive a payout of less than £250.

In a further blow, they will have to wait six months more before the first payments begin to be sent out, with many not arriving for several years. Around 15 policyholders die every day.

Unlike Labour, which critics say dragged its heels over compensation, the Coalition promised within months of coming to power that £1.5 billion would be paid to the victims and the relatives of those who died waiting for compensation.

Equitable Life, which was set up in 1762, was Britain's oldest mutually-owned insurer, with a client list that included judges, doctors and accountants.

But it ran into problems because it did not have the funds to pay an overly-generous combination of big bonuses and high guaranteed annuity rates to its customers.

Yesterday the Government published the Independent Commission's report into how compensation should be paid.

Its recommendations relate to £775million of the total compensation pot of £1.5billion, and cover around one million policyholders.

Around 100,000 policyholders will not get a penny because they lost less than £10, which would be of 'negligible significance' to them and expensive to administer, the commission said.

A table, buried on page 107 of the commission's report, says around 530,000 of the remaining victims – 56 per cent of them – will get between £10 and £250, under its recommendations.



Vow: The government, led by David Cameron and Nick Clegg, promised within months of coming to power that £1.5billion would be paid to the victims

The other 44 per cent will get between £250 and a sum described in the report as more than £250,000. The commission estimates that 43 people will get more than £250,000.

Policyholders will receive a payment equal to 22.4 per cent of their 'relative loss'.

This 'relative loss' is the difference between the returns they got from Equitable, and the amount they would have received if they had invested their money with a rival.

The Government has previously announced that the rest of the £1.5billion compensation fund will go to 37,000 pensioners who cashed in their pension pot with Equitable, buying a with-profits annuity. They will be compensated in full.

The first payments, which will be made this summer, will go to the oldest policyholders and the estates of those who died during the wait.

The commission said 95 per cent of all policyholders over the age of 75 should get their money by the middle of 2012.

Mark Hoban, Financial Secretary to the Treasury, said he welcomed the commission's recommendations, adding: 'We will use them as the basis for making payments to policyholders.'

But Paul Weir, 58, a director of the Equitable Life Action Group, who lost £50,000, said: 'We are fighting on to get the rest of the money. We are digging in for a long campaign.'

The Government estimates the total loss was £4.3billion, but Mr Weir says the real loss figure is closer to £6billion.

## **Equitable members to get just a fifth of losses**

By James Moore, Deputy Business Editor

*Thursday, 27 January 2011*

Equitable Life policyholders were told yesterday that they will receive only about a fifth of the money they lost when the insurer collapsed.

About 1.1 million policyholders will receive a "pro-rata" allocation of 22.4 per cent of their losses as compensation for government maladministration. Ministers said they had accepted the recommendations of the Independent Commission on Equitable Life on how to divide a compensation fund.

About 100,000 people will get nothing because their compensation would be only £10 – less than the administration costs. The Government had previously said 37,000 "with-profits" annuitants, who are trapped at the society, would be compensated for their losses in full, with the money paid in regular instalments for the rest of their lives.

That decision left about £775m of the £1.5bn allocated for compensation to be shared out among the remaining one million policyholders. The fund was established only after a noisy public campaign supported by the likes of the actress Honor Blackman.

But the Equitable Members Action Group said: "This amounts to only 15 per cent of what victims have actually lost. We are digging in for a long campaign to get the rest. This will do nothing to restore any confidence in the security of people's pensions."

Losses will be assessed on a per policyholder, rather than a per policy, basis, and the payments will not be means-tested. Compensation will be paid to the oldest policyholders first.

## **Equitable compensation is limited**

The majority of Equitable Life policyholders will receive less than a quarter of the money they have lost in compensation and 100,000 people will get nothing at all, the Government has said.

Around 945,000 with-profits policyholders at the society will receive redress equal to just 22.4% of the relative amount they have lost due to the problems at the society, compared with if they had invested their money with another life insurer.

But 100,000 people who would be in line to receive less than £10 will not get any money, due to the disproportionate administrative costs involved in making the payments to them.

The Government had previously announced that 37,000 with-profits annuitants, who are trapped at the society, would be compensated for their losses in full, with the money paid in regular instalments for the rest of their lives.

The decision left around £775 million of the £1.5 billion allocated for compensation to be shared out among the remaining one million policyholders.

The Equitable Members Action Group said: "This amounts to only 15% of what victims have actually lost. We are digging in for a long campaign to get the rest. This will do nothing to restore any confidence in the security of people's pensions."

Losses will be assessed on a per policyholder, rather than a per policy, basis, and the payments will not be means-tested.

Compensation will be paid to the oldest policyholders first, as they are likely to be the least able to wait for the money.

The estates of deceased policyholders and those of people who die before receiving a payment will also be prioritised, to reflect the fact that the beneficiaries are likely to be vulnerable.

The recommendations were put forward by the Independent Commission on Equitable Life and have been accepted by the Government.

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**UK NEWS Front page:**

## **SAVINGS SCANDAL HITS 1M PEOPLE**



Ros Altmann is backing victims

Thursday January 27, 2011

*By Sarah O'Grady*

A MILLION savers last night learned that they would only get back a quarter of the money they invested with an insurer.

A further 535,000 will not receive a penny as a result of the Equitable Life scandal.

The devastating news that about 945,000 clients will share compensation of £775million – just 22 per cent of their “relative losses” – was greeted with dismay and derision.

Bob Bullivant, of pension adviser Annuity Direct, said: “This is a kick in the teeth for policyholders who have been hanging on and hanging on.

“The only winners here were those who mis-advised the thousands of people who trusted them.

“It’s a mess and the Government needs to make sure disasters like this never happen again.” Of the savers who will receive nothing, about 100,000 were due pro-rata compensation payments of less than £10 each, which is less than the administrative cost of making the payments.

The remaining 435,000 policyholders will receive no compensation because the Government has judged that they suffered no losses.

Ros Altmann, director general of the over-50s campaign group Saga, said: “It has to be said that this is a far cry from the recommendation and I understand if Equitable Life victims feel they have not been properly treated.”

The details were released by the Government yesterday as it gave updated information on its compensation scheme for clients who lost money when the firm came close to collapse 10 years ago.

The Equitable Members Action Group said last night: “This amounts to only 15 per cent of what victims lost. We are digging in for a long campaign to get the rest.”

The world’s oldest life insurer had 1.5 million policyholders who trusted it with £26billion. But it emerged the firm had made pension promises it could not afford to keep and had a £1.5billion black hole in its finances.

The firm was brought to its knees when it lost a legal battle in the House of Lords over policyholders’ rights, forcing it to close to new business.

Collectively, policyholders lost £4.3billion compared to what they would have received if they had held their money with another institution, while others saw their pensions wiped out.

Last October, it emerged that investors who lost money as a result of the scandal would receive about £1.5billion in compensation. However, it was announced at the time that £620million of this would go to 37,000 elderly policyholders who were judged to have suffered the most.

The Treasury yesterday published the report by the Independent Commission on Equitable Life Payments, which the Government established last July, which details how the remaining £775million should be divided between the remaining policyholders. It recommended they should receive 22 per cent of what they had lost.

The recommendations have been accepted by the Government, which plans to publish a scheme setting out when payments will be made.

Financial Secretary to the Treasury Mark Hoban said: “We have always been committed to making fair and transparent payments to Equitable Life policyholders, through an independently designed payment scheme, for their relative loss as a result of regulatory failure.”



## Equitable victims to recover 22% of losses

By Josephine Cumbo

Published: January 26 2011 15:46 | Last updated: January 26 2011 15:46

Policyholders who lost money after investing in Equitable Life are to receive pro-rata payouts equivalent to about one-fifth of their losses under a government compensation package.

Last year, the government announced that £775m would be made available for distribution between Equitable Life policyholders – excluding with-profits annuitants and their estates – who had suffered ‘relative losses’ as a result of “accepted government maladministration”.

On Wednesday, the government said that it had accepted the recommendations of the Independent Commission on Equitable Life Payments over how these payouts should be prioritised over the next three years.

A key recommendation will see about 1m policyholders receive a pro-rata allocation equivalent to 22.4 per cent of their relative losses.

“The commission had particular sympathy for those 266,000 policyholders who found that the amounts received or receivable on their policies were below the amounts they actually invested,” it said.

“However, on balance it felt that paying out such losses in full or in part would have an unfair impact on payments to other policyholders or would present practical difficulties. No group of policyholders has been identified which in the commission’s view merits favourable treatment at the expense of other policyholders.”

The commission also recommended that the oldest policyholders, and the estates of deceased policyholders, should be paid first.

“This prevents delays to beneficiaries receiving payments when they might be at their most vulnerable and reflects the difficulties that could arise from prolonging payments owed to the estates of deceased policyholders,” it said.

The pro-rata payout would be considered on a “single policyholder view” based on net losses across a portfolio, if more than one policy was held, with payouts excluded for pro-rata payouts below £10.

The commission expects that its recommendations will result in:

- Approximately 945,000 policyholders receiving payments equivalent to 22.4 per cent of their “relative losses”;
- The remaining 100,000 policyholders with “relative losses” receiving no payment because their pro-rata allocation amounts to less than £10;
- Almost 70 per cent of 11,250 known eligible estates receiving payment in the first year;
- 95 per cent of all eligible policyholders over the age of 75 receiving payment in the first year (the remaining 5 per cent hold policies in group schemes, which cannot always be prioritised for practical reasons);
- All eligible policyholders over the age of 60 with individual (as opposed to group scheme) policies receiving their payment in the first year.

“I am very pleased that the government has accepted all our recommended principles,” said Brian Pomeroy, chairman of the commission.

“The commission has listened carefully to the views of interested parties and we believe that our conclusions will deliver an outcome that is simple, transparent, and fair for policyholders.”

Equitable Life, Britain’s oldest mutual assurer, nearly collapsed after the House of Lords ruled in 2000 that it should be forced to honour tens of thousands of unprofitable policies sold in the 1980s, a decision that left it with a £1.5bn liability. Equitable closed to new business and sold its assets to Halifax.

The government had already announced that about 37,000 “trapped” with-profit annuitants who invested after September 1992 will receive regular payments for their lifetime at an estimated cost to the taxpayer of £620m.

## Equitable Life: More compensation details announced



Treasury minister Mark Hoban will publish a payment timetable later this year

More details of compensation for Equitable Life customers who lost money when the firm came close to collapse 10 years ago have been announced.

About 945,000 policyholders will share £775m, repaying them 22% of their "relative losses".

Last year, the government decided that potentially 1.5 million savers should share compensation of £1.5bn.

Of that, it has already been decided that £620m will be paid to 37,000 with-profits annuitants.

About 100,000 policyholders will receive nothing as the pro-rata compensation payments due to them are less than £10 each, and are thus less than the administrative cost of making the payments.

There are a further 435,000 policyholders who, it has now been decided, are not eligible for any compensation at all because the government has judged that they have not suffered any losses.

### **'Fair and transparent'**

The latest details have been recommended to the government by the Independent Commission on Equitable Life Payments, which the government established last July.

The Financial Secretary to the Treasury, Mark Hoban, said he would accept the recommendations.

"We have always been committed to making fair and transparent payments to Equitable Life policyholders, through an independently designed payment scheme, for their relative loss as a result of regulatory failure," he said.

The commission said that its recommendations covered 460,000 holders of individual policies and 586,000 holders of group pension policies.

They are estimated to have suffered "relative losses" of nearly £3.5bn.

The overall loss figure for all Equitable savers has now fallen from £4.3bn to £4.1bn.

The Treasury said this was due to improvements to the methodology used to calculate the losses.

## **Oldest first**

Policyholders have been told they do not need to do anything yet to receive the payments.

A practical scheme for making the payments, including a timetable, is being devised.

It will be published later this spring and the government has already said it intends to start making payments in the middle of this year.

It has been recommended that the payments be spread over three years and it has been agreed that the oldest policyholders will be paid first.

"They are least able to wait for payment and are also least likely to be in a position to mitigate the effects of a delay," the Treasury explained.

Next in priority will come the inheritors of dead policyholders, and the inheritors of those who die within the next three years if they have not yet received their compensation.

"This prevents delays to beneficiaries receiving payments when they might be at their most vulnerable and reflects the difficulties that could arise from prolonging payments owed to the estates of deceased policyholders," the Treasury said.



# **100,000 Equitable Life investors will not receive a penny**

**Published Date:** 27 January 2011

By David Maddox

THE majority of victims hit by the collapse of Equitable Life are to be offered less than a quarter of their losses in compensation, while 100,000 will receive nothing at all.

The news, announced by the government yesterday, is a blow to campaigners, after the Conservatives had promised to come up with a compensation scheme to bring an end to the affair.

Treasury minister Mark Hoban told MPs that about 945,000 with-profits policyholders at the society will receive redress equal to just 22.4 per cent of the relative amount they have lost due to the problems at the society. The figure is based on a percentage of what they might have expected had they invested with another life insurer.

Ministers were warned that campaigners were "digging in for the long fight" to win more.

The problems date back to 2000 when Equitable Life, Britain's oldest mutual assurer, nearly collapsed after the House of Lords ruled it should honour tens of thousands of unprofitable policies sold in the 1980s.

The decision left it with a £1.5 billion liability and Equitable closed to new business before selling its assets to Halifax, which is now part of Lloyds Banking Group.

It is estimated that policyholders at Equitable Life have lost a total of around £4.3bn compared with the total had the money been invested in another institution.

While in opposition the Conservatives made great play of the Labour government's failure

to come up with an acceptable scheme.

After becoming Prime Minister, David Cameron made it clear that resolving the issue would be an early priority.

The Conservative-Lib Dem coalition government had previously announced that 37,000 policy holders who are trapped at the society would be compensated for their losses in full, with the money paid in regular instalments for the rest of their lives.

The decision left about £775 million of the £1.5bn allocated for compensation to be shared out among the remaining one million policyholders.

Losses will be assessed on a per policyholder, rather than a per policy, basis and the payments will not be means-tested.

Compensation will be paid to the oldest policyholders first, as they are likely to be the least able to afford to wait for the money.

The estates of deceased policyholders, and those of people who die before receiving a payment, will also be prioritised to reflect the fact that their beneficiaries are likely to be vulnerable.

The recommendations were put forward by the Independent Commission on Equitable Life and have been accepted by the government.

The government will publish its final compensation timetable in the spring and the payments will be made over the next three years.

Mr Hoban said: "We have always been committed to making fair and transparent payments to Equitable Life policyholders, through an independently designed payment scheme, for their relative loss as a result of regulatory failure."

## New payout blow for Equitable Life victims

Nearly 1m victims of the near-collapse of Equitable Life will receive compensation worth just over one-fifth of the value of their investments

James Charles Published: 30 January 2011



Policyholders' losses have been valued at £4.1billion by the government

Nearly 1m victims of the near collapse of Equitable Life, Britain's oldest life company, will receive compensation worth just over one-fifth of the value of their investments, the government said last week. The decision means that several hundred policyholders will lose more than £200,000 each.

The government has accepted the recommendations of the independent commission set up to assign the £1.5 billion of compensation promised last year by George Osborne, the chancellor.

However, policyholders' losses have been valued at £4.1billion by the government and the victims have vowed to fight the decision, claiming they will actually receive less than 15% of the true value of their losses.

Paul Weir of the Equitable Members Action Group said: "While it was not a surprise, it is still deeply disappointing and represents a fraction of what has been lost. I have lost £50,000 but based on the government offer I will get about £8,000."

Claire Makin, 59, of Kensington, west London, is still waiting to learn whether she will be compensated for the £28,000 she put into an Equitable Life pension. The former manager of a barristers' chambers set up the scheme in 1991 after a recommendation from a colleague, who described the insurer as "reliable".

Makin asked her employer to make top-up contributions to her pension pot over the six years to 1997, which she estimates were about £2,000 a year. “I fit exactly the profile of policyholder who should be compensated but I have heard nothing from Equitable Life or the government,” she said.

### How did it come to this?

About 1.5m former policyholders have been fighting for compensation from the government since Equitable was brought to its knees in 2000 after a legal battle about guaranteed annuity rates (GARs).

It sold personal pension plans with the promise of GARs as high as 11% and 12% — annuity rates are currently about half this — and then found it did not have the money to pay the pensions when the policyholders started to retire. It tried to mitigate the problem by cutting terminal bonuses — the non-guaranteed element of a with-profits policy — for anyone who chose to take up the GAR. However, the House of Lords ruled that the insurer could not reduce payouts for some policyholders and not do so for others.

The company was forced to put itself up for sale under the weight of liabilities it could not meet, estimated at £1.5 billion.

However, a breakdown of real losses suffered by policyholders, carried out by Towers Watson, the actuarial firm, has revealed that more than 350 people lost over £250,000 each, while nearly 3,000 lost more than £100,000. The average loss was about £2,500. A third of the policyholders did not suffer any loss and a further third lost less than £500.

For much of the past decade, the previous government denied that the authorities had played a part in the downfall of Equitable Life, but in 2008 the parliamentary ombudsman ruled that the government had failed in its duty to regulate the firm and said it was liable to pay compensation. The government’s response was to appoint Sir John Chadwick, the former Appeal Court judge, to review that decision.

Policyholder groups are seeking compensation of £6 billion, while the current chief executive of Equitable Life has said at least £2 billion should be set aside. Last July, Chadwick recommended a total payout of just £400m-£500m. The chancellor finally fixed a figure of £1.5 billion in the spending review last October.

Of this, £615m has already been set aside for 37,000 policyholders who bought with-profits annuities after September 1, 1992. They will receive payments from the government for the rest of their lives.

Policyholders who purchased a with-profits annuity before September 1992 are not eligible for compensation. That leaves £775m to be distributed to the remaining policyholders over the next three years, with about £100m held back for contingency purposes.

### What will the victims get?

The Independent Commission on Equitable Life Payments said the near-1m policyholders will be offered 22.4% of the amount they are estimated to have lost. The average payout will be just £820.

To be eligible, they must have made a premium payment between September 1, 1992 and December 31, 2000, or had a policy that started between September 1, 1992 and December 31, 1992, and suffered a “relative loss” based on today’s value of their investment had they been with a rival insurer.

The government estimates that these individuals made a total loss of £4.1 billion, down from a previous estimate of £4.3 billion, but the Equitable Members Action Group insists the figure is closer to £5 billion.

A further 100,000 people who were due compensation of less than £10 will not receive anything because the administrative costs exceed the value of their payments. Of those set to be compensated, about 460,000 are individual policyholders, while 586,000 were in a group pension scheme.

Brian Pomeroy, chairman of the independent commission, said: "We believe that our conclusions will deliver an outcome that is simple, transparent and fair."

### **How will the payments be made?**

The government will make payments to policyholders over the next three years, starting from the summer. About half the £775m will be paid within 12 months.

The timetable was criticised by Ros Altmann, director-general of Saga, the over-50s group, and a former government pensions adviser. "The fact that not a single penny of compensation has yet been paid is a disgrace and it seems the earliest payments will be made is the middle of next year, which is more than a year after this government took office promising urgently to sort out the scandal," she said.

Paul Weir of the action group said: "Those paid last will lose the equivalent of three years' interest."

The government will give priority to the oldest policyholders, followed by the estates of the estimated 50,000 policyholders who have died since the near-collapse.

## £775m in Equitable payouts confirmed



Former Bond actress Honor Blackman, a well-known Emag supporter, supports those who lost out.

Simon Bain

**The battle to secure fair compensation for the majority of Equitable Life policyholders may have reached the end of the road after a 10-year campaign.**

The Government this week confirmed that 945,000 present and former policyholders will share compensation of £775 million, equating to just 22% of their losses – though the Equitable Members Action Group has said the real figure is 15%.

In an independent assessment, actuaries Towers Watson calculated the total loss of this group at £3.5 billion.

Equitable's 37,000 with-profits annuitants, who have had no choice but to stay with the holed insurer, will receive 100% compensation, sharing £620,000 paid out over time.

Emag said: "We are digging in for a long campaign to get the rest."

But the Government said it was accepting the recommendations of its independent commission.

Losses would be assessed on a per policyholder basis, and the payments would not be means-tested.

Compensation would be paid to the oldest policyholders first, and the estates of deceased policyholders and those of people who die before receiving a payment would also be prioritised.

The Government will publish a scheme design setting out when payments will be made, which will be scrutinised by MPS in the spring – but after a decade of debate the payout has effectively been finalised.

Financial Secretary to the Treasury Mark Hoban said: “We have always been committed to making fair and transparent payments to Equitable Life policyholders, through an independently designed payment scheme, for their relative loss as a result of regulatory failure.

“I am grateful for the work the commission has done to establish policyholders’ concerns and have used this to recommend the principles of the payment scheme.”

The total £1.5 billion figure was similar to that set by retired judge Sir John Chadwick, whose review commissioned by the Labour government was heavily criticised at the time by the Conservatives.

Emag secured the support of a swathe of Tory and LibDem MPs before the election for a pledge to deliver “fair and adequate” compensation from the process.

Paul Weir, of Emag, said: “Just before the election, politicians were falling over themselves to appear to back us, but what has been delivered is not what we have waited all these years for.”

He added: “If we have to wait until the next election to use our votes again to show what we think of their compensation package, then we will do that.”

Mr Weir lost an estimated £50,000 from his pension pot, but is due just £7500 in compensation.

Ros Altmann, director general of the over-50s campaign group Saga, said the settlement was “a far cry from the recommendation” of the parliamentary ombudsman, who had urged the Government to compensate victims in full for over £4 billion of losses.

Ms Altmann, meanwhile, this week renewed her appeal to the Government to plug a loophole in the law which has left 40 pension scheme members bereft of their pensions.

As The Herald reported last month, a construction firm which had maintained a staff pension scheme since 2002 and paid levies to the Pension Protection Fund was told when it crashed last year that the 40 scheme members are not covered by the PPF – and their pensions are lost.

The PPF told Dorset-based Zejwa that although it was the sponsoring employer, it did not actually employ the scheme members, therefore did not match the definition of “principal employer” in the PPF legislation.

Dr Altmann, a leader of the campaign to secure protection for pensions at work, said this week that the 2004 Pensions Act was intended to cover anyone paying into a final salary scheme.

“Scheme members were led to believe no one could lose their pensions in future when their employer failed. This turns out not to be true.

“How can this be happening after all the pain, suffering and fighting of recent years?”

She went on: “This loophole must be closed and closed now before more schemes suffer the same fate.

“Thousands of people could potentially be exposed to it.”

Lawyers for the scheme in question say a legislative amendment could solve the problem.

Dr Altmann said the Department of Work and Pensions had expressed “sympathy” at a meeting to discuss the issue this week, but had as yet not offered any solution.