

**Articles by Jeff Prestridge, personal finance editor of the Mail on Sunday.**

**Four in three weeks in November 2010 on the unjust plight of 10,000 with-profits annuitants left in the cold by the government's compensation scheme:**

## **A battle is lost but Equitable war rages on**

28 November

Financial Mail trusts Mark Hoban, Financial Secretary to the Treasury, knows what he is getting into by refusing to listen to those who passionately believe the current Equitable Life compensation package is seriously flawed.

Yet again the war drums are beginning to beat and although policyholders would never resort to the violent tactics of some students over university fees, Hoban would be foolish if he thought these elderly people will go off quietly into the night. They won't - as ten years of fighting for financial justice already proves.

No one can fault the Government for moving swiftly on the issue and coming up with a £1.5 billion compensation package, something Labour, and Gordon Brown in particular, failed to do following the near-collapse of Equitable Life in 2000 (Brown saw the policyholders as greedy toffs - which could not be further from the truth).

But in moving hastily, Hoban is in danger of dishing out serious financial injustice, especially to those 10,000 'early' with-profits annuitants excluded from compensation on the spurious grounds that they were as

much financial winners from regulatory maladministration as they were losers.

Hoban has drawn this conclusion on the basis of numbers supplied by management consultancy firm Towers Watson, which, it seems, bear no resemblance to what happened to the pension income of these early with-profits annuitants.

In the House of Commons earlier this month, Hoban used the following figures to justify why pre-1992 with-profits annuitants should not receive compensation. He said a with-profits annuitant who received annual income of £7,200 in 1989 would have received £10,000 in 1993, rising to £17,000 in 2002.

The early uplift in income, a result of Equitable Life overpaying bonuses, Hoban said, more than made up for the cuts post-2002. In other words, they have not suffered financial loss as a result of maladministration.

This is poppycock because Towers Watson's figures don't tally with numbers supplied by with-profits annuitants who have contacted Financial Mail. They certainly don't tally with Tony Fisk's experience, and they bear no resemblance to that of Peter Beresford, from Littlehampton, East Sussex.

Peter purchased his with-profits annuity in 1991 with a starting income of £5,007. In 1993, his annual income had risen to £5,065, but unlike Hoban's example in the House, his annual income then fell to £4,854 by 2002. He is now getting £2,174. Peter has suffered horribly and there is no justification for excluding him from compensation. It makes no sense morally.

In the debate that Hoban produced his spurious figures, Fabian Hamilton, Labour MP for Leeds North East, attempted to bring in an amendment ensuring all with-profits annuitants received compensation. Peter, 84, who served on HMS King George V during the Second World War in the Pacific watched the debate on TV in the hope

that Hamilton's amendment would get voted through. It didn't.

He told Financial Mail on Friday: 'We older pensioners are not asking for charity, but would welcome proper consideration of the situation. We listen to politicians promising fairness and telling us that "we are all in this together".

'We then watch a handful of MPs debate an issue so important to old pensioners and then listen (with no surprise) to the result of the division - 70 in favour of Hamilton's amendment and a whopping 301 against, voting as instructed.'

Peter feels cheated - and has told Hoban so in a letter. His view is shared by all 10,000 early with profits annuitants. Maybe, Hoban feels these with-profits annuitants (all elderly) will quietly go away or die. But pressure groups Equitable Life Trapped Annuitants (ELTA) and the powerful and well-connected Equitable Members Action Group (EMAG) are not going to go away.

ELTA is incredibly agitated over Towers Watson's misleading figures and wants Hoban to prove their authenticity. Meanwhile, EMAG - which estimates it will cost £167 million to compensate the 10,000 excluded annuitants - is mulling over whether to launch a judicial review. A decision will be taken at its AGM in January.

The All-Party Parliamentary Justice for Equitable Life Policyholders' Group (of which Fabian Hamilton is co-chairman) has also written to Parliamentary Ombudsman Ann Abraham asking whether she is happy with the current compensation package.

The hope is that she will agree that the exclusion of pre-1992 with-profits annuitants is unfair, thereby putting pressure on Hoban to do a U-turn.

The Equitable Life debacle, it seems, is far from over. There are more wars to be fought before justice can be seen to be done.

<http://www.dailymail.co.uk/money/article-1333639/JEFF-PRESTRIDGE-A-battle-lost-Equitable-war-rages-on.html?ito=feeds-newsxml>

## **Anger over lack of Government support for 'proper' Equitable compensation**

28 November

Pressure on the Government to improve its £1.5 billion compensation offer to victims of maladministration at mutual insurer Equitable Life has intensified.

It follows a withering attack on the compensation package in the Lords last week by Lord Willoughby de Broke, who accused the Government of 'dressing up a bare half loaf as a full and scented loaf of bread'.

Willoughby, of the UK Independence Party, spoke in a debate on the Equitable Life (Payments) Bill in Parliament on Wednesday night. If enacted, the Bill would pave the way for £1.5 billion of compensation - £1 billion in this Parliament and the remainder in the next.

He was particularly scathing of the allocation of the £1.5 billion, with 37,000 post-1992 with-profits annuitants receiving 100 per cent compensation - but earlier annuitants getting nothing.

Promises, promises: Susan Wood is dismayed at the 'broken pledge', of her MP, Nick Clegg, over the Equitable Life compensation deal

A further million policyholders will get compensation equivalent to a paltry 20 per cent of the losses due to the failure of past Governments and regulators to monitor the mutual effectively, forcing it to close to new business in 2000.

Of the Government's decision not to compensate pre-1992 withprofits annuitants, Willoughby said: 'Like the post-1992 annuitants, they were trapped as well.

'They were effectively in a house on fire with no escape. The post-1992 trapped annuitants are being offered an escape but the pre-1992 people are not.'

The Government accepts that with-profits annuitants bore the full brunt of maladministration at Equitable Life because of their inability to escape the mutual's meltdown (once an annuity is bought it cannot be exchanged).

But it says early with-profits annuitants were 'over-bonused' by Equitable Life in the early years from 1987 to 1992. These over-bonuses, it claims, more than made up for losses resulting from maladministration. As a result, compensation should not be paid.

Tony Fisk, 79, a retired businessman from Southend-on-Sea, Essex, will receive no compensation as he has been deemed an early with-profits annuitant. He disputes the Government's version of events.

'The Treasury Secretary has said in the Commons that between 1989 and 2002 early with-profits annuitants received an income uplift of 136 per cent, which more than compensated for subsequent losses,' he says, 'but those figures bear no resemblance to mine. I saw my annual income rise 11 per cent from 1989 to 2002, but since then it's fallen 60 per cent. I feel I'm being deprived of compensation as a result of false statistics.'

Susan Wood, 63, a retired businesswoman who ran a company training young people, has two level annuities

that pay £3,600 a year and will be eligible for a small amount of compensation.

She says the £1.5 billion package on offer is 'disappointing' and is also annoyed with her MP, Deputy Prime Minister Nick Clegg.

Just before the General Election, Clegg, MP for Sheffield Hallam, said he would vote for 'proper compensation' for Equitable Life victims.

'What's on offer is not proper compensation,' says Susan. 'He has sold out on this issue.'

A spokesman for Nick Clegg said: 'The Government has provided a fair balance between the interests of policyholders and those of taxpayers.'

<http://www.dailymail.co.uk/money/article-1333654/Anger-lack-Government-support-proper-Equitable-compensation.html>

## **Rush brings injustice at Equitable**

14 November

You can't fault the Government for its determination to draw a line in the sand and pay compensation to those who saw their savings ravaged by the regulatory maladministration of mutual insurer Equitable Life in the 1990s.

But there is a danger that in its hurry to deliver a financial fullstop to the matter, a great injustice will be done.

Last week the Equitable Life (Payments) Bill was debated in the House of Commons. If all goes according to plan, it will gain Royal Assent by the end of the year, paving the way for £1.5 billion of compensation - £1 billion in this Parliament and £500 million in the next.

This will be a remarkable achievement given that Labour dragged its feet for ten years over paying up, in the process ignoring everyone from powerful select committees through to Parliamentary Ombudsman Ann Abraham.

But the compensation package on the table is flawed.

Although it has rightly recognised that the biggest victims of maladministration have been with-profits annuitants, the Government has decided that not all of them should be compensated.

It says 10,000 early annuitants (pre-September 1992) bought their plans before regulatory failure kicked in. In other words, these customers made a commitment to the mutual when everything was going swimmingly and so they cannot be classified as victims of maladministration.

This interpretation is wrong. Every one of the 47,000 with-profits annuitants have suffered from the effects of maladministration because since converting their funds into income, they have been unable to get away from the insurer's clutches. Once an annuity is bought it cannot be exchanged. All 47,000 with-profits annuitants have suffered the consequences of maladministration.

In the Commons last week, Fabian Hamilton, Labour MP for Leeds North East, raised the issue. Unfortunately, despite the passion of his debate, he lost out in his quest to get the Bill amended so that compensation would be paid to all annuitants.

Thankfully, Hamilton does not give up easily. He has asked Mark Hoban, Financial Secretary to the Treasury and chief architect of the Bill, to justify the exclusion of these annuitants before members of the All-Party Equitable Life Group. He is also hoping that the House of Lords will press for this injustice to be corrected when they come to scrutinise the Bill.

He told Financial Mail: 'Although Parliament has made its will clear by rejecting my amendment, the compensation claims of these frail and elderly people should not be ignored.' Many excluded annuitants are in their seventies and eighties.

I hope Hamilton persuades some members of the Lords to kick up an almighty fuss. The Government should acknowledge this injustice and ensure that the Bill leads to a good law, not a bad one made in haste.

<http://www.dailymail.co.uk/money/article-1329348/COMMENT-JEFF-PRESTRIDGE-Rush-brings-injustice-Equitable.html?ito=feeds-newsxml>

## Equitable's 10,000 given fresh hope

7 November

About 10,000 **with-profits** annuitants of Equitable Life have been given hope that they may after all be included in a proposed £1.5bn Government compensation package passing through Parliament.

Fabian Hamilton, Labour MP for Leeds North East and a long-standing backer of compensation for victims of the insurer, has tabled an amendment to the Equitable Life tabled an amendment to the Equitable Life (Payments) Bill, proposing that all with-profits annuitants should get compensation.

He is hoping to speak on the matter this Wednesday in the Commons and get cross-party support.

Under the present proposals, 37,000 annuitants who converted their pensions into lifetime income after September 1992 will get compensation to cover the losses they suffered as a result of Government failure to regulate the **mutual** in the Nineties.

But 10,000 others who bought earlier are excluded. The Government argues that 'maladministration' of the insurer did not take place until late 1992, so only later annuitants were misled into thinking that Equitable's health was robust.

Over the past 18 months, Hamilton has been a vociferous supporter of compensation for all Equitable victims.

He says: 'All with-profits annuitants have suffered from the consequences of catastrophic regulatory failure irrespective of when they took them out.'

'There is an injustice in the Government's compensation arrangements and it needs to be corrected.'

Hamilton says it will cost the Government an extra £200m to compensate early with-profits annuitants.

He proposes that half of this sum could come from simply bringing forward compensation that had been earmarked for payment in the next Parliament.

Tony Fisk, 79, an early with profits annuitant who currently stands to get no compensation, welcomes Hamilton's stand.

The former businessman from Southend-on-Sea, Essex , says: 'All annuitants have suffered the financial consequences of regulatory failure, so we should all receive prompt compensation.'

Many of us are elderly and don't have time on our side.' But the Treasury is sticking to its guns. It says: 'Even if maladministration had not occurred, no Equitable policyholder would have had information that would have led them to make a different investment decision before the latter part of 1992.'

'This is because there would have been no change in the company's regulatory returns until the end of June 1992.'

'The returns would not have come to investors' attention earlier than around the beginning of September 1992.'

'Therefore the investment decisions of those that invested before this date were not affected by Government maladministration.'

[http://www.thisismoney.co.uk/investing/article.html?in\\_article\\_id=517841&in\\_page\\_id=166&position=moretopstories#ixzz14c6170NF](http://www.thisismoney.co.uk/investing/article.html?in_article_id=517841&in_page_id=166&position=moretopstories#ixzz14c6170NF)