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Equitable redress: just £266

Policyholders 'absolutely scandalised' as compensation pot is to be capped at £500m, official report suggests.

By [Rosie Murray-West](#) Published: 11:51AM BST 23 Jul 2010



Honor Blackman supporting the Equitable Members Action Group Photo: PA

Equitable Life victims are being asked to make further representations to the Government after a report suggesting that they will get just £266 each.

Mark Hoban, a Treasury minister, said Equitable's policyholders should start to receive compensation in the autumn of next year. But he indicated that the amount would be far lower than expected because of the state of the country's finances.

He was speaking after the publication of the report by Sir John Chadwick, which suggested that the total amount of compensation for the 1.5m policyholders could be between £400m and £500m – or £266 per policyholder. Policyholders had hoped for a £4.7bn collective payout, and had expected at least £1bn.

Mr Hoban said the amount they would get would be constrained by Britain's economic woes, saying that total compensation would be considered "in the light of what is affordable". The amount will be revealed in October's spending review.

Equitable was brought to its knees in 2000 when it lost a legal battle over the rights of policyholders, forcing it to close to new business. Investors, mainly professional people saving for their retirement, lost up to half their savings when the company came close to collapse. About 50,000 of the original policyholders have since died.

Sir John said the policyholders had lost up to £3.7bn, but that compensation should be capped at between 20pc and 25pc of this amount. Many policyholders had hoped for a more sympathetic treatment of their cause from David Cameron. Before the election he had described Labour's handling of the scandal as "sick" and "waiting for pensioners to die" because of years of delays.

Victims said they were "appalled" by the figures mentioned in the report. "I am absolutely scandalised," said Terry O'Connor, 69, a retired businessman. "Every year my pension goes down. It's a constant worry. This Government said they would do something different but they are just the same."

Don Duckworth, who said his pension had fallen by £10,000 a year, said: "People have died from the stress while waiting for compensation. It is an absolute scandal."

It is now two years since the Parliamentary Ombudsman called for policyholders to be paid redress after finding 10 instances of maladministration by regulators and Whitehall officials. The Government is legally obliged to pay compensation. Ann Abraham, the Ombudsman, appeared to question the figures in the Chadwick report. "It is not clear from the material presented to Parliament today whether such justice will be delivered," she said.

Mr Hoban said the Chadwick report was an "important building block" to help the Government understand how to compensate victims. He acknowledged that the findings were "contentious and built on complex analysis". An independent commission has been set up to advise on the best way to allocate payments. Asked whether he agreed with the numbers mentioned in the Chadwick report, he said. "Sir John has done his task in a thorough way. I will look at his report and reflect upon it."

Anger as Equitable Life report caps payout at £500m

Government report says Equitable Life policyholders should get only a tenth of the compensation they think they are due



Actor Honor Blackman with protesters from the Equitable Members Action Group outside parliament last year in a demonstration against the lack of compensation for policyholders. Photograph: Andy Rain/EPA

Victims of the Equitable Life scandal reacted with fury today after a government report suggested they should share no more than £500m in compensation – a tenth of the amount campaigners argue they are due.

The Treasury minister, Mark Hoban, said details of precisely how much would be paid out would be revealed in October, and the aim was to begin making payments to policyholders in the middle of 2011.

However, campaigners' fears that they will be short-changed were fuelled by the publication of a report, commissioned by the previous government, which suggests policyholders lost up to £4.8bn in the debacle but should only receive a payout of between £400m and £500m. With about a million people having seen their retirement savings slashed as a result of the company's well publicised problems, this would average out at £400 to £500 per policyholder.

Paul Braithwaite, a spokesman for Emag, the Equitable Members Action Group, described the report's proposal on compensation as "a bitter blow to policyholders' expectations," and claimed the Treasury was engaged in "dirty tricks" with the aim of limiting payouts.

The parliamentary ombudsman, Ann Abraham, also appeared to question whether the plans would mean a fair outcome for policyholders, saying that "it is not clear from the material presented to parliament today whether such justice will be delivered".

The insurer was brought to its knees in 2000, and later repeatedly slashed the value of policyholders' investments, after it lost a legal battle over pension guarantees. In 2008, Abraham said she had found evidence of "serial regulatory failure". The Labour government

apologised for the "maladministration" that contributed to the insurer's problems, but rejected recommendations that it should compensate all Equitable policyholders.

In May, the new government signalled its intention to help policyholders, saying it would implement the parliamentary ombudsman's recommendations to make fair payments to people who suffered through the firm's near-collapse. Plans were included in the Queen's speech.

The report published today was by a retired judge, Sir John Chadwick, who was commissioned by the last government to work out which policyholders had been hardest hit and what proportion of their losses could be attributed to maladministration.

Hoban said the Chadwick report was "just one of the building blocks in resolving what is a complex matter" and added there were other judgments to be made in deciding the final shape of the compensation scheme.

But he warned the overall size of the fund would be considered "in the light of what is affordable" as part of October's spending review. He said ministers were aware that some of Chadwick's findings were contentious, and they would listen to representations from interested parties ahead of the spending review.

Actuary Towers Watson was asked to calculate estimated losses based on Chadwick's conclusions. It said the "relative loss" suffered by policyholders – the difference between the returns they received from Equitable and what they would have got if they had invested with another insurer – was between £4bn and £4.8bn.

But Chadwick said compensation should be restricted to 20%-25% of the actual loss they suffered at Equitable, between £2.3bn and £3bn, to reflect his view that most policyholders would have invested in the company irrespective of maladministration. Further reductions brought the final loss figure down to £400m to £500m.

Braithwaite said: "The Treasury is continuing with its dirty tricks and damage limitation. Chadwick should have been sidelined."

Equitable Life said it welcomed the minister's statement and believed the relative loss figure should be "the foundation for compensation". Equitable's £6bn closed with-profits fund still has about 400,000 individual investors and pension scheme members.

Equitable report short-changes victims, claim campaigners

£500m recommendation package works out at just £500 per policyholder as Treasury minister stalls on final amount

By James Moore, Deputy Business Editor *Friday, 23 July 2010*

Victims of the near-collapse of Equitable Life yesterday reacted with outrage after a government report suggested they should only receive a fraction of the compensation for which they have spent a decade fighting.

The report by former judge Sir John Chadwick, commissioned by the previous government, proposed a total payout of just £500m, roughly 10 per cent of what has been estimated as policyholders' total losses.

Treasury minister Mark Hoban pledged to reveal the Government's final decision on how much they can expect in October, with payments due to begin in 2011. While he said Sir John's report was "just one of the building blocks in resolving what is a complex matter", Mr Hoban warned that any scheme "will need to take the potential impact on the public purse into account".

The actress Honor Blackman, who has campaigned on behalf of the scandal's victims, said: "I'm absolutely furious. We've been stitched up again. The Government admits that we have lost about £5bn. And yet they propose to give us less than 10 per cent of that.

"This is not what we voted for when both Tories and the LibDems promised to do the right thing. We have been deceived. How can I tell my children that it is sensible to save for their retirement when this is what happens to those who do?" Paul Weir, spokesman for the Equitable Members Action Group, said: "This is even worse than we were predicting – it's a complete outrage. The Parliamentary Ombudsman isn't happy, the victims aren't happy and MPs won't be happy either. Three hundred and eighty MPs signed the EMAG pledge for fair compensation – a 90 per cent cut is not what they signed up to.

"The twisted logic of Sir John Chadwick beggars belief. If the regulators had warned me that Equitable was unsafe in 1992, I wouldn't have put my pension there, simple as that. His report does what we always warned it would – provide an excuse to cut the compensation to shreds."

The campaigners reasoning appear to have been backed yesterday by Parliamentary Ombudsman Ann Abraham, who recommended payments as a result of what she called "serial regulatory failure" in the way Equitable had been overseen.

In a statement, the Ombudsman said: "While the Ombudsman would welcome the delivery of justice to those affected by the Equitable Life affair in a speedy, simple and transparent manner, it is not clear from the material presented to Parliament today whether such justice will be delivered. Once the Ombudsman has had time to consider the material presented to Parliament today, she will inform Parliament of her views."

Around a million people lost money through the Equitable debacle, which saw the mutual insurer teeter on the brink of collapse after a court ruled it must honour in full guarantees offered to holders of so called "guaranteed annuity" pension plans.

With virtually no reserves to fall back on the society was forced to close its doors to new business and slash payments to its policyholders.

The insurer itself said the £4.8bn estimation of the total loss itself should be used as the basis for calculating compensation. Chris Wiscarson, Equitable Life's chief executive, said: "More has been achieved in eight weeks than in the previous eight years. The timetable, the transparency and the total amount stated for relative loss of over £4bn at last represent a proper basis for doing right by Equitable policyholders."

Policyholders' fury over £500m Equitable pay-out report

By [Becky Barrow](#) and [Tim Shipman](#) Last updated at 10:24 AM on 23rd July 2010



Avengers actress Honor Blackman, 82, is one of the 1.5 million Equitable Life policyholders who have seen their income plummet since the company's collapse

Victims of the Equitable Life scandal accused the Government of betrayal and broken promises last night after being told they may get as little as £ 250 each in compensation.

Treasury Minister Mark Hoban triggered outrage when he revealed that 1.5million policyholders may have to share just £400million - less than half the £1billion they were promised by the Tories.

Payouts will be capped at one quarter of the amount they lost.

To add to their anger, they were told they must wait until next summer at the earliest before even the first compensation is paid - with final payouts likely to be delayed even longer.

However, victims are dying at a rate of 15 a day. The paltry amount is a bitter blow for policyholders who had been repeatedly promised swift justice by the Tories during their years in opposition.

Many are thought to have voted for the Conservatives because they hoped that it was their best chance of getting the £1billion compensation pot.

Paul Weir, director of the Equitable Life Action Group, who lost around £50,000 in the debacle, said: 'If this is justice, I am a banana.

'I feel very very let down, very annoyed and determined to fight on. It is even worse than I predicted.

'We smelt a stitch-up coming, and here it is.'

Around 50,000 policyholders with pensions and other financial products are estimated to have died since Equitable came to close to collapse in 2000 after making gold-plated promises that it could not afford.



Equitable Life supporters are angry at the delay: They claim that an average of 15 policyholders have died every day waiting for the compensation amount to be agreed

Equitable Life was Britain's oldest mutually-owned insurer set up in 1762 with a Who's Who list of policyholders from judges to accountants.

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

For example, she has a large family but there is not enough room for them to comfortably come to visit her. Miss Berry, who prudently paid into a pension for 16 years, said she fears she will be left to survive on the modest State pension and benefits before too long.

Mr Hoban yesterday unveiled the results of an independent report by Sir John Chadwick which found the 'relative loss' of policyholders is between £4billion and £4.8billion.

That is the difference between the returns that they got from Equitable, and the amount they would have received if they had invested their money with a rival. But yesterday Mr Hoban told

MPs that the 'final loss' by policy holders as a result of the company's mismanagement could be as low as £400million - less than 10 per cent of £4.8billion.

This is equal to £266 for each of its 1.5million customers.

In reality, many lost hundreds of thousands of pounds, and have had their retirement dreams crushed by the Equitable debacle.

Victims include Honor Blackman, 82, best-known for playing Pussy Galore in the James Bond film Goldfinger.

In reality, many lost hundreds of thousands of pounds, and have had their retirement dreams crushed by the Equitable debacle.

She has seen her monthly income from the policy fall by more than 50 per cent.

Mr Hoban warned the final compensation bill may fall even lower than £400million because it will be finalised in the public spending round this October that is slashing up to 40 per cent from Whitehall budgets.

He warned: 'It is appropriate to consider the impact of any scheme on the public purse.' A Downing Street spokesman refused to rule out a lower payout.

Treasury officials stressed that in announcing a date for the payouts to begin, the Coalition had moved far faster than Labour, which repeatedly refused to act.

'We have done more in nine weeks than they did in nine years,' one said.

But former Labour minister Denis MacShane said: 'This is unquestionably a U-turn by the Tories.

'David Cameron has betrayed the Equitable Life policyholders, many of whom will now die as he kicks the compensation question into the longest of long grass.'

Tory MPs also expressed dismay. Mark Field said: 'It's obviously disappointing that the earliest people will be paid is the middle of next year. It begs the question of how many more will die in the meantime.'

Another, who preferred to remain anonymous, said there was 'a lot of disquiet' on Tory benches about the move.

'People hoped there would be interim payments and we expected the total payout to be between £1billion and £ 1.5billion. This is seen as an act of bad faith,' the MP said.

'Tories renege on promise'



Ann Berry, 72, feels she and 1.5million other Equitable Life policyholders have been 'stitched up again.' The retired physiotherapist (pictured), from Selsey, West Sussex, has paid a heavy price for her decision in 1998 to use her £100,000 pension pot to buy an annuity with Equitable Life.

In the first year, she got £400 a month from the with-profit annuity, which is an income for life, with the promise that it would rise every year. In fact, her income has collapsed. She is now getting just £260 a month, and fears she will be getting nothing in a few year's time as the payout has been dropping every year.

Miss Berry, who has four children and nine grandchildren, said yesterday she is 'outraged' by the Government's announcement.

She said: 'Policyholders are dying at a rate of 15 a day. This is an outrage. We put our trust in Tory MPs who told us there would be a swift and transparent system for paying out to Equitable policyholders. Now they are telling us to wait until next summer, which is a year away. They are renege on their promise, as far as I am concerned.'

The impact of Miss Berry's life has been dramatic, painful and upsetting. She said: 'I was waking up in the middle of the night worrying about how I was going to pay the bills.'

As a result, she felt forced into selling her three-bedroom detached bungalow, but downgrade to a 'very small' two-bedroomed, semi-detached bungalow to release some money.

She said: 'It is not the retirement that I planned for or expected.'

BY NUMBERS

£5billion

Amount of compensation that campaign groups have been calling for

£1billion

Amount that Tories hinted - before the General Election - would be handed out

£400million

Amount Treasury Minister Mark Hoban said yesterday that is likely to be paid out

£40million

Amount spent by Equitable Life pursuing legal battles, which failed, against the company's former accountants and directors

1957

Year when the firm started selling the gold-plated 'guaranteed

annuity rates'. They continued to be sold until 1988, and ultimately led to its downfall

2000

The year that the company lost its High Court battle against policyholders, and was forced to put itself up for sale

2011

Year when compensation should finally be paid

10

Number of counts of 'maladministration' found by the Parliamentary Ombudsman against three Government bodies over the Equitable Life scandal

50,000

Number of policyholders who have died waiting for justice

Treasury accused of 'dirty tricks' over Equitable Life



Paul Braithwaite, a spokesman for 40,000 of the mutual's customers, described the figure as a 'shocker' [Jas Lehal/The Times](#)

Miles Costello Last updated July 23 2010 12:01AM

Angry Equitable Life policyholders accused the Treasury last night of a shameful U-turn after it was revealed that their total compensation payments could amount to only £400 million. Campaigners say that they lost as much as £4.7 billion.

Paul Braithwaite, general secretary of Emag, which speaks for 40,000 of the near-collapsed mutual's customers, described the figure — 90 per cent less than hoped for — as a “shocker”. He accused the Treasury of playing “dirty tricks” with policyholders.

He told *The Times*: “The Treasury promised a ‘swift, transparent and fair’ process of compensation. We’ve had the transparency, but one out of three is not good enough. After a decade, the Treasury is still playing games with people who deserve better.”

Britain's oldest mutual insurer was brought to the brink of collapse after the House of Lords ruled in 2000 that it had to honour payments to customers with guaranteed annuity policies. The ruling left the society facing liabilities of £1.5 billion, forcing it to close to new business and slash bonuses. As a result, more than half a million Equitable policyholders lost their life savings.

Honor Blackman, the former *Avengers* star, was among the investors and has become the public face of Emag's high-profile campaign.

A series of inquiries, most recently by Ann Abraham, the Parliamentary Ombudsman, found that the society, regulators and the Government Actuaries Department had failed to spot

and head off problems. She said in her report last year that a compensation fund should be set up within six months.

Mark Hoban, Financial Secretary to the Treasury, told Parliament yesterday that the Government would introduce the Equitable Life Bill, bringing compensation for policyholders. However, he signalled that, after independent advice, the final payout could be between £400 million and £500 million. This is about a tenth of the amount that Emag has sought.

Mr Hoban emphasised that any payments should take account of the “impact of any scheme on the public purse”. A commission would advise on the best way to make payments, but it would be next year before they began. The Government has ruled out interim hardship payments.

Mr Hoban said: “The commission will start work imminently so that we can begin making payments as soon as possible. They are expected to report by the end of January. I would like to end the plight of policyholders as soon as possible and I aim to begin making payments in the middle of next year.”

Mr Hoban drew on two sets of figures, one from Sir John Chadwick, the retired judge who has been assessing possible compensation levels since last year, and the other a 416-page report from Towers Watson, the consultancy, published yesterday.

However, to the anger of Emag, Sir John, who arrived at yesterday’s estimate, had been using a brief set by the previous Government. It ruled that only customers who had suffered a “disproportionate impact” at Equitable’s near-demise should receive funds.

Three members appointed to the commission are: Brian Pomeroy, a former partner at Deloitte, John Tattersall, a former PricewaterhouseCoopers partner, and John Howard, a former chairman of the Financial Services Authority’s consumer panel.

The Government will detail funding available to the compensation scheme at its spending review on October 20.

Equitable Life chief damns report

Chris Wiscarson, has weighed into the row over policyholders' compensation saying that he "cannot support" the conclusions of the report into the scandal.

By Rosie Murray-West Published: 10:38PM BST 24 Jul 2010



Actress Honor Blackman has been a vociferous supporter of the Equitable protest

Mr Wiscarson, who was appointed as chief executive of the group in 2009, has written to the Treasury Minister, Mark Hoban, pointing out problems with the Chadwick Report, which suggested that victims should receive only a tenth of what they have lost.

"We cannot support the conclusions of a report which has objectives that appear to us quite different from what was anticipated by the Parliamentary Ombudsman," he said.

The long-awaited report, published on Thursday, gave a figure of between £400m and £500m as an indicative level for compensation. This works out at just £266 per policyholder. However, the report said that the total loss to victims was up to £4.8 billion. Mr Wiscarson said that the £4.8bn figure should be the foundation for compensation.

"We have never supported an approach which places store on the methodology used in calculating the lower ranges of numbers quoted by the minister," he said.

The report by Sir John Chadwick was commissioned by the previous Labour government, which did not accept all of the findings of an earlier report by the Parliamentary Ombudsman, Ann Abraham. She found the government guilty of 10 counts of maladministration, but it accepted only five findings of maladministration in full; it accepted four in part and rejected one. The Chadwick Report was commissioned on that basis.

However, the Conservative Party has said in the past that it would accept all of the findings from Ms Abraham's report.

On October 21, 2009, Mr Hoban, then in Opposition, told the Commons: "Conservative members have been clear throughout this process. We have said that if the ombudsman found that there was maladministration owing to regulatory failure and that compensation was required, we would accept those findings. That was our position while we campaigned

for the ombudsman to be allowed a second investigation, that was our position when the ombudsman published her report last year, and that is our position today.”

Sources close to Equitable Life said the management was concerned that the new Government has now not accepted the 10 findings of maladministration.

Instead, documents relating to a new independent commission indicate that it is proceeding with the same assumptions as the Labour Government. Objective 6 of the document states that the aim of the Commission is to allocate funds to those who have suffered “relative losses as a result of accepted Government maladministration”, suggesting that the new Government will not accept the rest of the findings either.

A spokesman for the Treasury said that this was because of the need to get compensation to victims quickly.

“The Coalition Government’s priority is to establish a fair and transparent payment scheme that is as swift as possible, as was recommended by the Parliamentary Ombudsman . Re-opening the findings of the Ombudsman would lead to delays in achieving this,” she said.

Equitable victims turn up the heat

By Richard Dyson 24 July 2010

MPs are braced for a summer of discontent from victims of the Equitable Life pensions scandal.



Campaign: Paul Braithwaite

The powerful Equitable Members' Action Group plans to step up its campaign after the Financial Secretary to the Treasury, Mark Hoban, announced on Thursday that compensation could total as little as £400m.

That is a tenth of the losses that savers with the insurer, which nearly collapsed a decade ago, are acknowledged to have suffered.

The figure comes from a report commissioned by Labour to analyse the case for Government compensation.

About 380 MPs, including 40 Labour members, signed a pledge before the Election promising 'to support and vote to set up a swift, simple transparent and fair payment scheme, as recommended by the Parliamentary Ombudsman'.

The pledge was organised and circulated by the 40,000-strong action group. The group's Paul Braithwaite says the sum reflects the fact that the report's terms of references were limited and unfair.

'The Treasury has relied on the report commissioned by Labour because it knew that the report would argue for very limited compensation,' he says.

He says the report is 'grossly misleading' and relies on 'profound sophistry'. Members will 'now go back to their MPs, politely reminding them of their promises', says Braithwaite.

Equitable Life savers say compensation is 'totally inadequate'

By Ian Cowie Last updated: July 22nd, 2010



Mark Hoban MP (Photo: STEPHEN KELLY)

Long-suffering Equitable Life policyholders claimed compensation proposals announced today by Mark Hoban, Financial Secretary to the Treasury, are “totally inadequate and extremely disappointing after everything the Conservatives promised before the election”.

Paul Weir, a director of the Equitable Members Action Group said: “If this is justice, I am a banana. Mr Hoban admits that even on the very restricted terms of the inquiry by Sir John Chadwick, between 1m and 1.5m savers suffered total losses of about £3.7bn but recommends that compensation should be capped at about a quarter of that level between £400m and £500m.”

Mr Weir recalled David Cameron’s pre-election attack on Labour’s handling of the scandal as “sick” and “waiting for pensioners to die”. Today, the Equitable policyholder said: “The Government’s compensation offer falls a long way short of what we were led to expect before the election and there will be no payments until next year. Meanwhile, about 15 Equitable savers are dying each day and this is accelerating as we grow older. We estimate about 50,000 have died during the last decade while we waited for justice.”

But Mr Hoban said: “Unlike the previous Government, we are committed to compensating these policyholders. In two years, the previous administration did hardly anything to resolve the situation. But in just over two months, this Government has confirmed that we are committed to a swift, fair and transparent payment scheme, introduced a Bill and set up an independent commission to decide upon the design of the payment scheme.

“I have long been a strong advocate of ending the plight of Equitable Life policyholders. Like you, I want to see a swift response, but also one that is transparent and fair to all policyholders, and the taxpayer. I believe that the steps I have outlined today take us closer to achieving this.”

In the Coalition agreement, the Government stated that it would implement the Parliamentary and Health Ombudsman’s recommendation to make fair and transparent payments to Equitable Life policyholders through an independent payment scheme, for their relative loss as a consequence of regulatory failure..

The Government also announced the intention to establish an independent commission to advise on the design of a payment scheme. Today, it said that commission will be led by Brian Pomeroy – a former partner at accountants Deloitte who is now chairman of the Gambling Commission; John Tattersall, a former partner at Pricewaterhouse Coopers; and John Howard of the Financial Services Authority’s consumer panel.

Equitable savers have suffered ‘death by a thousand cuts’ since this over-promised and under-regulated fund proved unable to honour its commitments a decade ago. Some say they would have been better off if it had gone bust and they had been able to claim against statutory safety nets, such as the Financial Services Compensation Scheme.

The Parliamentary Ombudsman has been damning about how regulators and politicians have let these savers down. As I told the Parliamentary Select Committee when called to give evidence, this scandal has done incalculable damage to public confidence in savings and insurance.

Before today’s announcement I said that predictions of full and speedy justice for Equitable victims would not be the way to bet. Now it looks as if savers still hanging on in hope must stake it all on one last roll of the dice with yet another official inquiry, this time led by the chairman of the Gambling Commission.

Equitable Life compensation an insult to victims

It's time for a sanity check on Equitable Life.

Damian Reece. Published: 6:00AM BST 23 Jul 2010

More than 300,000 savers suckered into Icelandic savings accounts which blew up in the banking crisis have received all their money back at a cost of £7.4bn to the public purse - a sum yet to be retrieved from our friends in Reykjavik.

The more than 1m Equitable policyholders, who invested their entire retirement savings in a supposedly blue chip insurer, were told on Thursday to expect to share up to £500m or £250-£500 each in compensation.

These people weren't chasing greedy returns but looking for a low risk home for their pension pots. They were the unsuspecting victims of appallingly lax regulation and criminal mismanagement.

We can fix regulation, we can fire managers but Equitable policyholders can't fix their ruined lives. Many have died in penury since this scandal broke, those still living have had to wait a decade for yesterday's insult from Sir John Chadwick's report revealed in Parliament by Mark Hoban, the Treasury Secretary.

The Chadwick report, commissioned by the previous government, was designed from the outset to minimise payouts and is flawed. The Coalition has promised swift and transparent compensation arrangements, but it must also show it possesses a more accurate moral compass than Labour.

David Prosser: Equitable solution pleases no one

Friday, 23 July 2010

Outlook The Equitable Life scandal is never going to be possible to resolve satisfactorily for the parties concerned. The policyholders who lost out when the insurer almost collapsed – up to a million savers – believe they are owed compensation of £5bn, an impossible sum for the Treasury to countenance in these days of austerity. Its offer yesterday of a deal that may be worth as little as £400m, on the other hand, was seen as insulting by many Equitable victims, particularly as they're not going to get any money until next year.

In making the promises it did to Equitable policyholders – the Conservatives and Liberal Democrats promised a speedy resolution of the affair in their first coalition agreement – the Government set itself up for a fall. Though both parties were quite happy to make hay with Labour's failure to offer proper compensation when they were in opposition, now they are in power they are confronted with the high passions – not to mention costs – that the scandal arouses.

Let us give credit where it is due. Mark Hoban, the Treasury Minister responsible for yesterday's announcement of a compensation package, has taken swift action on behalf of Equitable savers. And that speed stands in stark contrast to the foot-dragging of the Labour administration.

Against that, why does Mr Hoban insist Equitable savers must wait until 2011 to start receiving redress? Many of the victims are elderly – one pressure group estimate as many as 15 victims are dying every day – and cannot wait for the money the Treasury admits they are owed. It should be possible to make some interim payments straight away, even if the argument about the total value of compensation continues for some time yet.

As for that debate, Equitable's victims may just have to accept they are never going to win the full compensation they were hoping for. That said, even in the context of the lowest estimate of their loss – the £2.3bn to £3bn Sir John Chadwick suggested yesterday – £400m does not look generous.

COMMENT by ALEX BRUMMER: Labour's Equitable calamity

By Alex Brummer Last updated at 10:42 PM on 22nd July 2010

After a decade of deliberate procrastination, the long suffering 1.5million Equitable Life policyholders are finally getting some closure.

The pity is that they have had to wait until the country faces the deepest fiscal crisis since the Second World War, when the matter could have been dealt with when Gordon Brown's coffers were overflowing.

There will be justifiable indignation. Individual depositors in flimsy Icelandic banks were paid out in full despite there being no obligation to do so, whereas policyholders in Britain's oldest life company were left to swing in the wind for a decade.



Modest payouts: 'Blame Gordon Brown, his City ministers Ruth Kelly and Ed Balls *et al*, not the Con-Lib coalition,' writes Alex Brummer

Even worse, many thousands of policyholders have died along the way, brought low by the financial misfortune visited upon them.

What we should never lose sight of in the Equitable saga is that the Parliamentary Ombudsman did find 'maladministration'.

Precedent, in the shape of the scummy 1980s Barlow Clowes affair, is that in such cases compensation is paid in full.

The good thing about the thousands of pages of documents just released by the Treasury is that it has officially placed a figure on the losses of between £4bn and £4.8billion.

This, essentially, is the difference which Sir John Chadwick (appointed by Labour) and actuaries Towers Watson found between the loss of value in Equitable policies and what investors might have expected had they placed the same cash with other providers.

The interesting thing about this number is that it is essentially what Equitable activists have been saying for years.

The good thing for policyholders is that they now have a timetable towards compensation.

The actual compensation will be determined by the time of the Comprehensive Spending Review in October, the payouts fixed in January and the cheques sent out in the summer of 2011. Now comes the hard part. Having announced the damage, the advisers and City Minister Mark Hoban then proceeded to whittle the total down, coming up with a compensation pot of £400million to £500million.

That is one-tenth of the losses and well below the £1billion to £2billion (one quarter to one half of the losses) which Equitable itself had been privately expecting.

Chris Wiscarson, the Equitable's practical chief executive, believes there is still room for improvement in the number.

In particular, he objects to Chadwick's suggestion that there was adequate reason for policyholders to suspect the worst and trade in their policies before the company closed to new business in 2000.

But he faces a struggle. The Treasury's coffers are no longer full. Much of the largesse has gone on saving the banks and the economy. We live in an age of austerity and pensioners across the board face seeing their retirement income squeezed and many people will be losing their jobs.

The Equitable policyholders have a golden case for compensation which has been stood up by the experts.

Unfortunately, the cupboard is bare and the payouts likely to be very modest.

Blame Gordon Brown, his City ministers Ruth Kelly and Ed Balls *et al*, not the Con-Lib coalition.

Anger as government caps Equitable Life compensation

Published Date: 23 July 2010

By Jeff Salway

VICTIMS of the Equitable Life crisis are finally set to receive compensation next year but policyholders responded angrily after hearing they could get less than £500 each to cover their losses.



Actress Honor Blackman was among the campaigners for compensation

A report published yesterday by Sir John Chadwick, tasked by the previous government with calculating the amount of compensation to be paid, recommended a total payout of £475 million to £650m. The figure fell well short of the £1 billion that the Equitable Members Action Group had expected Chadwick to recommend, and even shorter than the £5bn it claimed victims deserved.

The Treasury has now introduced a bill to parliament to enable compensation to be paid to policyholders. It has also formed an independent commission to work out exactly how the money should be allocated, with the findings to be revealed in January. Mark Hoban, financial secretary to the Treasury, yesterday said Equitable policyholders should start receiving compensation in the middle of next year.

But he said total compensation would be considered "in the light of what is affordable" as part of the government's October spending review, when the final compensation amount will be confirmed. "The scheme will be a significant spending commitment for this government and cannot be considered in isolation from the other spending decisions that it will need to make over the coming months, and what is affordable in that context," said Hoban.

He admitted that some of Chadwick's findings would be viewed as contentious and said the government would listen to representations by interested parties ahead of the review. The Equitable Members Action Group (Emag) claims victims lost almost £4.7bn when the insurer almost collapsed in 2000. The battle for compensation began when the insurer was forced to close to new business in 2000 after it lost a High Court decision over the rights of policyholders.

After a series of investigations, a 2008 report by the parliamentary ombudsman, Ann Abraham, called for the government to set up a compensation fund for policyholders who lost money.

The Labour government commissioned the report by Chadwick, which yesterday concluded that, while the absolute loss suffered by victims reached up to £3.7bn, the payouts should be capped at between 20 and 25 per cent of that, reducing the fund to between £475m and £650m.

Paul Weir, a director of EMAG, dismissed the verdict as "totally inadequate". "The government's compensation offer falls a long way short of what we were led to expect before the election and there will be no payments until next year.

Fifteen Equitable savers are dying each day and we estimate about 50,000 have died during the last decade while we waited for justice," he said.

But Chris Wiscarson, chief executive of Equitable Life, welcomed the Treasury's decision. "The timetable, the transparency and the total amount stated for relative loss of over £4bn at last represent a proper basis for doing right by Equitable policyholders."



Jeff Salway: Cameron and Co's compensation solution may prove less than equitable

Published Date: 24 July 2010 By Jeff Salway

THE names Abraham, Chadwick, Penrose and Baird all ring a painful echo for Equitable Life policyholders still waiting for compensation for the losses they suffered at the hands of the insurer.

Now the names Pomeroy, Tattersall and Howard will be added to the list of those who have sought through various papers, commissions and investigations to provide a solution for victims of the Equitable Life scandal. They will form the government's independent commission tasked with working out exactly how the compensation set to be paid out to Equitable victims will be allocated.

The figures to be scrutinised will be significantly smaller than they might have anticipated, however.

Sir John Chadwick on Thursday published his long awaited report on the amount of compensation that should be paid and concluded that while the absolute loss suffered by victims reached up to £3.7 billion, the payouts should be capped at between 20 and 25 per cent of that, slashing the payout fund to between £475 million and £650m. Consequently, after a decade of protests, investigations, commissions, reports and reviews, the policyholders still standing can look forward to payouts of less than £500 each.

In THE comfort of opposition, David Cameron had described Labour's handling of the Equitable Life crisis as "sick", accusing the governing party of "waiting for pensioners to die" before paying any compensation.

Cameron cannot be accused of that - not yet anyway - but his government is continuing in the previous administration's tradition of letting down the pensioners who lost savings when the insurer almost collapsed a decade ago. When the coalition came to power in May, there appeared a genuine prospect of a settlement that would finally bring the saga to a satisfactory conclusion, with an early pledge to compensate fully victims of the Equitable Life scandal. As I wrote at the time, the promise had to be taken with a pinch of salt and that cynicism has been all-too quickly justified.

While campaigners estimate that full compensation would cost the government about £5bn, the Equitable Members Action Group was realistic enough to expect a cap to about £1bn. But the figures set out on Thursday indicate that the eventual compensation will fall a long way short of even that.

Treasury Secretary Mark Hoban said total compensation would be considered "in the light of what is affordable" as part of the government's October spending review, when the final amount will be confirmed.

Did the government somehow make its original promises to Equitable Life victims in the belief that there would be no spending cuts with which to balance its compensation payments? Certainly not.

The climbdown from the original promise was depressingly predictable, contributing to the nascent government's already burgeoning reputation for backtracking on its pledges (the election promise to scrap the national insurance increase for employers the most obvious U-turn to date).

Policyholders at least have the consolation of knowing there is a process underway that aims to produce tangible results by this time next year, but many will only feel like they have moved one step closer to the final insult.

While Cameron's government may yet deliver where the previous administration shamefully fell short, there will be no moral high ground for it to occupy.

Treasury 'dirty tricks' dismay policyholders

By Paul J Davies and Alex Barker Published: July 22 2010 20:16

The coalition government appeared to promise much to Equitable Life policyholders when it was formed in May but on Thursday they were left ruing what one described as the Treasury's continued "dirty tricks".

Mark Hoban, Conservative financial secretary to the Treasury, made sympathetic noises as he delivered the swift statement on compensation pledged by the government. But he brandished a lightly stocked public purse as he detailed arguments that could cut a pay-out to as little as £400m.

Equitable members have been waiting almost a decade since the near collapse of the mutual life insurer to see whether anyone will pay out for their losses. Both the Conservatives and Liberal Democrats backed their case when in opposition – promising a fair and swift settlement, while fiercely attacking the delays of the Labour government.

The coalition agreement appeared to commit the government to the 2008 recommendations of Anne Abraham, parliamentary ombudsman, which included a near £5bn estimate of losses suffered. But policyholders were dismayed when Mr Hoban retained Sir John Chadwick's review, which recommended capping compensation at £400m-£500m, in spite of his own stated concerns over the process.

Mr Hoban told the Commons he had yet to accept the Chadwick report and would "reflect on its findings and think very carefully". But he said it was important to ensure the scheme was fair to taxpayers. "It is appropriate to consider the impact of any scheme on the public purse," he said. Mr Hoban promised to reach a final number in the autumn spending review.

An independent commission will be formed by Brian Pomeroy, John Tattersall and John Howard, three senior City figures, to advise the government on how to share out the funds.

Alongside Sir John, the Treasury also employed Towers Watson, the actuarial firm, to assess losses. Towers found policyholders' relative loss, between what their policies are worth and what they would have been worth at a better-run company, was £4bn-£4.8bn.

However, Sir John recommends compensation be capped at an absolute loss of what policies might have been worth had Equitable not suffered maladministration, which the report put at £2.3bn to £3bn. Mr Hoban said Sir John had advised policyholders receive only 25 per cent of this, which should further be cut since some policyholders actually gained from the maladministration. This leads to the £400m-£500m figure.

Paul Braithwaite, of policyholders' group Emag, said: "Chadwick's report should never have [taken] centre stage after the coalition made a commitment to fair treatment."

Chris Wiscarson, Equitable's chief executive, said: "More has been achieved in eight weeks than in the previous eight years. The timetable, the transparency and the total amount stated for relative losses of over £4bn at last represent a proper basis for doing right by Equitable policyholders."

Equitable victims attack review findings

By Paul J. Davies, Insurance Correspondent Published: July 22 2010

The 1.5m policyholders who lost money in the near-collapse of Equitable Life should collectively receive as little as £400m in compensation, a government-initiated review has concluded, to fury from those affected.

The main pressure group for policyholders described the sum as “profoundly insulting” and the conclusion “a cynical exercise . . . to talk down expectations”.

The group said £400m was less than one-tenth of what policyholders were due.

Mark Hoban, financial secretary to the Treasury, told the House of Commons that a review by Sir John Chadwick, initiated by the former Labour government, had concluded that policyholders deserved to be compensated for losses in the region of £400m-£500m, which he acknowledged would be “contentious”.

But he stressed that the review would be “just one building block in resolving what is a complex matter” and said the government must balance fairness to Equitable policyholders against fairness to the taxpayer.

Equitable, the world’s oldest life assurer, closed for new business in 2000 after losing a House of Lords ruling over its treatment of certain with-profits policyholders.

Mr Hoban said the decision on compensation must be taken in conjunction with the autumn spending review, so the government can see “what is affordable in that context”. However, some government officials believed final payments could be slightly more than £1bn.

The Equitable Members Action Group said the Chadwick review was designed to minimise payments.

“Chadwick’s conclusion . . . is profoundly insulting and really shouldn’t be taken too seriously,” said Paul Braithwaite, the general secretary of Emag. “This was a cynical exercise by the Treasury to talk down expectations and that’s why Chadwick has been sprung on us just before summer recess.”

Mr Hoban said the government would aim to begin making payments in the middle of next year and it was important to avoid any unnecessary delays to achieve this goal.

“We have achieved more in two months than the last government achieved in the previous two years since the ombudsman’s report,” he said.

While applauding the progress that had been made, David Davis, a senior Tory MP, voiced concern over the delay to pay-outs and the lack of clarity. “There is a great deal more to be done,” he said.

“Halfway through next year is still a long time for elderly policyholders.”

ANGER OVER EQUITABLE PAYOUTS



The equitable campaigners are led by former Bond girl Honor Blackman

Friday July 23, 2010

By Alison Little Deputy Political Editor

EQUITABLE Life policyholders voiced their anger yesterday after a report said they should only get a tenth of the £5 billion they claim they lost.

The 1.5 million people who lost money after the insurance company was brought to its knees in 2000 by a legal challenge must also wait until next year before payments begin.

Treasury minister Mark Hoban said the Government was committed to “fair and transparent payments” but it was a “very complex task”.

Total compensation will depend on this autumn’s Whitehall spending review. Two years ago the Parliamentary Ombudsman said policyholders should get redress because of maladministration by regulators and Whitehall officials.

A report published yesterday by former Appeal Court judge Sir John Chadwick said policyholders lost £4 billion to £4.8 billion in terms of the returns they would have got had they invested with another life insurer.

But he said they should get only between 20 and 25 per cent of the £3 billion cap suggested by the Ombudsman. But that would only come to between £400 million and £500 million.

That is far short of the £5 billion which Equitable campaigners, led by former Bond girl Honor Blackman, say they are due.

The Equitable Members Action Group branded the report “an absolute shocker”. Labour MPs said the coalition Government was going back on its pre-election commitments.

Simon Read: Equitable Life victims have every right to be angry *Saturday, 24 July 2010*

Victims of the Equitable Life fiasco were given the old "good news, bad news" routine by the Government on Thursday. Treasury minister Mark Hoban, said a compensation scheme for people who lost cash in Equitable's with-profits scheme is finally being set. That's the good news.

The bad news? Compensation could be as low as £400m. That might sound a lot but members of the Equitable Members Action Group have been pressing for a £4bn to £5bn payout. The proposed payout could be as little as a tenth of what the victims think they deserve. In fact, the group estimates that the losses incurred by policyholders total £4.7bn.

Why is the compensation likely to be so much less? The lower figure was suggested by Mr Hoban following the publication of an independent report published on Thursday by retired judge Sir John Chadwick. He was commissioned by the last government to examine which policyholders had been hit hardest and what proportion of their losses could be attributed to maladministration.

Let's remind ourselves of what happened to Equitable: the company failed in 2000 because it did not have the funds to pay out the big bonuses and sky-high guaranteed annuity rates it promised its customers. It made the promises to attract investors but they were clearly made on sand and water. It seems to me that anyone duped into investing by these false promises should get compensation as soon as possible.

Sir John estimated that the "relative loss" of policyholders is between £4bn and £4.8bn. That's the difference between what they got from Equitable, and what they would have received if they had invested their cash with a rival.

But his report suggested victims should only receive a payout of between £400m and £500m. Why? Because Sir John speculated that most of the policyholders would have invested in Equitable irrespective of whether there had been any maladministration. Would they? I've no idea, but I think that's irrelevant to their compensation claims. It seems simple to me: if they are to be paid compensation, it should cover their losses.

Precise details of how much will be paid out is due to be revealed in October and the Government says it aims to begin making payments to policyholders in the middle of 2011. The delay adds further injury to Equitable Life victims. The action group points out that an average of around 15 Equitable investors have died every day while waiting for a decision. The previous government dragged its heels over the issue, meaning that in the decade since Equitable's collapse, some 50,000 policyholders have died. The Conservatives promised they would deal with the situation when they got into power but, as usual with politicians, they are dragging their heels and hiding behind red-tape and excuses not to get things sorted quickly.

Mr Hoban, for instance, said that the Chadwick report was "just one of the building blocks in resolving what is a complex matter". Building blocks? What is he on about? He went on to add that there are other judgments to be made in deciding the final shape of the compensation scheme.

That nonsense is unfair to the victims. They have waited almost a decade for justice and the new Government should stick to its promises and act quickly to put an end to the whole affair.

Compensation fund for Equitable Life policyholders

Miles Costello Last updated July 22 2010 11:30AM

Equitable Life's long-suffering policyholders could have to settle for as little as £400 million in compensation, the government said today in a move that will infuriate campaign groups.

Mark Hoban, Financial Secretary to the Treasury, told Parliament today that the Government would introduce a Bill to establish a compensation scheme for hundreds of thousands of Equitable policyholders.

But, using two sets of calculations, he suggested that the total payout would be between £400 million and £500 million. This is a tenth of the £5 billion that campaign groups believe Equitable's customers should be able to claim.

Equitable had more than 1 million customers in 2000, when it was forced to shut to new business after a House of Lords ruling that it had to honour guaranteed annuity products. This left the mutual, Britain's oldest, facing liabilities of £1.5 billion. In many cases customers lost their nest eggs when Equitable subsequently slashed its bonus rates.

Mr Hoban said today that any payments to policyholders, who have waited ten years for their money back, should take account of the "impact of any scheme on the public purse".

Mr Hoban also told Equitable's customers that they would have to wait until next year before receiving any funds. He named three experts who will form an independent commission to advise on the best way to allocate payments.

Brian Pomeroy, a former senior partner at Deloitte, John Tattersall, a former PricewaterhouseCoopers relationship partner, and John Howard, a former chair of the Financial Services Authority's consumer panel, will sit on the commission. "The commission will start work imminently so that we can begin making payments as soon as possible. They are expected to report by the end of January 2011," Mr Hoban said. "I would like to end the plight of policyholders as soon as possible and I aim to begin making payments in the middle of next year."

EMAG, the leading Equitable campaign group, had already suspected that the Treasury would move to reduce the level of payouts.

Mr Hoban drew on two sets of figures, one from Sir John Chadwick, the retired judge who has been assessing compensation, and the other a 416-page report from Towers Watson, the consultants, published today.

Sir John had been using a brief set by the previous administration that only customers who suffered a "disproportionate impact" at Equitable's near-demise should receive funds.

This is despite the Government promising within days of taking power that a "fair and transparent" scheme would be set up to make payments quickly.

Mr Hoban said that the Government would detail the funding available for a compensation fund in the spending review on October 20.

Paul Weir, a spokesman for EMAG, said: "I will need to read the documents before commenting in full, but I suspect there will be bear traps."

After several inquiries during the past decade, including a report by Ann Abraham, the Parliamentary Ombudsman, and legal actions against Equitable's former auditors Ernst & Young, campaigners believe that a settlement is close.

However, EMAG suspects that the Government will use Sir John's report to reduce compensation payments.

Ms Abraham, who gave a damning report on Equitable last year, found the Government and regulators guilty on ten counts of maladministration and called for a fund to be set up within six months. The previous Government rejected many of the findings.

Equitable Life chief damns report

Chris Wiscarson, has weighed into the row over policyholders' compensation saying that he "cannot support" the conclusions of the report into the scandal.

By Rosie Murray-West Published: 10:38PM BST 24 Jul 2010



Actress Honor Blackman has been a vociferous supporter of the Equitable protest

Mr Wiscarson, who was appointed as chief executive of the group in 2009, has written to the Treasury Minister, Mark Hoban, pointing out problems with the Chadwick Report, which suggested that victims should receive only a tenth of what they have lost.

"We cannot support the conclusions of a report which has objectives that appear to us quite different from what was anticipated by the Parliamentary Ombudsman," he said.

The long-awaited report, published on Thursday, gave a figure of between £400m and £500m as an indicative level for compensation. This works out at just £266 per policyholder. However, the report said that the total loss to victims was up to £4.8 billion. Mr Wiscarson said that the £4.8bn figure should be the foundation for compensation.

"We have never supported an approach which places store on the methodology used in calculating the lower ranges of numbers quoted by the minister," he said.

The report by Sir John Chadwick was commissioned by the previous Labour government, which did not accept all of the findings of an earlier report by the Parliamentary Ombudsman, Ann Abraham. She found the government guilty of 10 counts of maladministration, but it accepted only five findings of maladministration in full; it accepted four in part and rejected one. The Chadwick Report was commissioned on that basis.

However, the Conservative Party has said in the past that it would accept all of the findings from Ms Abraham's report.

On October 21, 2009, Mr Hoban, then in Opposition, told the Commons: "Conservative members have been clear throughout this process. We have said that if the ombudsman

found that there was maladministration owing to regulatory failure and that compensation was required, we would accept those findings. That was our position while we campaigned for the ombudsman to be allowed a second investigation, that was our position when the ombudsman published her report last year, and that is our position today.”

Sources close to Equitable Life said the management was concerned that the new Government has now not accepted the 10 findings of maladministration.

Instead, documents relating to a new independent commission, indicate that it is proceeding with the same assumptions as the Labour Government. Objective 6 of the document states that the aim of the Commission is to allocate funds to those who have suffered “relative losses as a result of accepted Government maladministration”, suggesting that the new Government will not accept the rest of the findings either.

A spokesman for the Treasury said that this was because of the need to get compensation to victims quickly.

“The Coalition Government’s priority is to establish a fair and transparent payment scheme that is as swift as possible, as was recommended by the Parliamentary Ombudsman . Re-opening the findings of the Ombudsman would lead to delays in achieving this,” she said.

Anger over Equitable payouts report

Equitable Life policyholders have expressed anger after a report suggested they should receive no more than £500 million in compensation - a tenth of the amount they claim to have lost.

The Government said the exact sum that will be shared out between the 1.5 million Equitable policyholders will be set out in this autumn's spending review.

But Financial Secretary to the Treasury Mark Hoban warned that the overall size of the compensation fund would be considered "in the light of what is affordable" as the Government focuses on reducing the deficit.

Policyholders will also have to wait a further year before they receive any money, as an Independent Commission set up to advise the Government on the best way to allocate payments will not report back until the end of January.

The Government hopes to finally begin distributing compensation to policyholders in the middle of next year - three years after the Parliamentary Ombudsman first called for people to be paid redress.

Former Appeal Court judge Sir John Chadwick, who is advising the Government on the level of compensation that should be paid to members of the society, has suggested the total sum should be between £400 million and £500 million. This is despite the fact that he estimates policyholders have made relative losses of between £4 billion and £4.8 billion by investing their money with Equitable, rather than another life insurer.

It is also estimated that they have seen the value of their policies fall by up to £3.7 billion as a result of the problems at Equitable.

But Sir John is recommending that policyholders receive only between 20% and 25% of this loss, which is reduced further once other factors are taken into account. The sum falls well short of the £5 billion that the Equitable Members Action Group (Emag) has calculated policyholders are collectively due.

Mr Hoban stressed that Sir John's report was "just one of the building blocks" in resolving the issue of compensation, and that there were "other judgments to be made in determining the final shape of the scheme". He added that the Government was also aware that some of his findings were contentious, and it would listen to representations from interested parties ahead of the spending review.

But Emag still responded angrily to the report, branding it an "absolute shocker" and saying it was "profoundly disappointing". An Emag spokesman said: "This is not what we voted for when both Tories and the Lib Dems promised to do the right thing in their manifestos. We've been waiting 10 years for justice and we still haven't got it."

MoneyMarketing

Eq Life victims feel let down by coalition Govt

23 July 2010 | By Leah Milner

The Equitable Members' Action Group has hit out at the coalition Government after yesterday's revelation that victims may only get a total of £400-£500m in compensation.

The news emerged yesterday in a report by Sir John Chadwick, a retired judge appointed by the former Labour Government to assess the extent of compensation the Government should pay.

Emag says Chadwick's calculation that relative losses of between £4bn and £4.8bn should be reduced to final losses of £400m - £500m because some investors would have continued to put money into the firm even if they knew its true financial state is "utterly risible".

The group say the coalition Government allowed the Chadwick process to go ahead against "obsolete and entirely inappropriate terms of reference" taken from the Labour Government.

Emag general secretary Paul Braithwaite says: "That Sir John puts his finger in the wind and says we should not get more than 25 per cent of 'aggregated external relative loss' (whatever that means) because we would all have continued to heap in our retirement savings in even if we had known the true state of Equitable Life is utterly risible.

"Chadwick's report should never have been allowed to take centre stage after the coalition made a commitment to fair treatment."

Braithwaite adds: "The coalition promised us swift, transparent and fair: One out of three is not good enough. Today's treatment was not fair nor is the implementation proposed swift."

Wall Street Journal

Equitable Life Compensation Could Be Less Than GBP0.5B

LONDON (Dow Jones)--The U.K. government could end up paying less than half a billion pounds to policyholders affected by the near-collapse of Equitable Life, the Treasury said Thursday.

Mark Hoban, Financial Secretary to the Treasury, said it planned to make payments in mid-2011 but that the amount of compensation due may be between GBP400 million and GBP500 million.

A final decision on how much compensation to offer will be made in October following the government's comprehensive spending review, Hoban said. An independent commission will report on how to allocate eventual payments by January 2011, he said.

Prime Minister David Cameron frequently attacked the previous Labour government's handling of Equitable Life compensation, saying in February that Labour seemed to be waiting for policyholders to die.

But Hoban faced concerns from lawmakers from his own Conservative Party over the announcement, with policyholders thought to have lost as much as GBP5 billion because of maladministration at the firm.

The 240-year-old Equitable Life first hit problems in 2000 when it lost the first round of a legal dispute over the rights of its with-profits fund shareholders, whose guaranteed rates became too expensive to honor when interest rates and inflation fell.

The company had to close to new business and cut bonus payments to policyholders because it could no longer afford to pay those guarantees when stock markets fell.

-By Laurence Norman, Dow Jones Newswires; 44 207 842 9270;