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<http://www.publications.parliament.uk/pa/ld/ldtoday/17.htm>

Lord Willoughby de Broke: My Lords, I declare an interest as a trapped annuitant of Equitable Life, but I am one of the lucky ones who comes within the post-1991 provisions. According to the Bill and the Explanatory Notes, I will be compensated. **I congratulate the Minister on dressing up a bare half loaf as a full and scented loaf of bread because a number of pensioners fall outwith the provisions of the Bill, in particular the trapped annuitants who are in the same position as those of us who are going to be compensated, but who took out their pensions before the end of 1991. I should like to speak up for those people.**

These people are suffering in the same way as the post-1991 trapped annuitants, but they will not be compensated. It is worse for them because they are older and have no real means of support other than their pension payments, which have been greatly reduced. **But for what I believe are spurious financial reasons, they have been excluded from the provisions of this Bill.** I say that they are spurious because I read the debate in the other place in which Mr Mark Hoban set out the provisions of the Bill. The substance of his argument was that because of Equitable Life's maladministration, the earlier pensioners were so-called "over-bonused" in the years before 1991. They had received more money than they should have and therefore they did not need any money after 1991. I do not think that stacks up either factually or morally.

It was not their fault that they were over-bonused, it was yet more poor regulation and mismanagement by the board of Equitable Life. Surely it cannot be right that because of so-called over-bonusing for a few years, these people are to be denied any compensation at all. At that point they had no way of knowing that they were being over-bonused, so are

the Government really saying that because they were kept in the dark, they should not be entitled to any justice? I cannot believe that that is the Government's intention. As I have said, they are just as disadvantaged as all the other trapped annuitants of Equitable Life. Moreover, they are older and therefore in more need. It is only right that they should be properly compensated.

Their pensions, as is the case for pensions such as my own, lost value and were significantly reduced after 2002 when the whole horror show became public following the case here in the House of Lords. Like the post-1991 annuitants, they were trapped as well. They were effectively in a house on fire with no escape. The post-1991 trapped annuitants are being offered an escape, but the pre-1991 people are not. I cannot believe that that is what the Government want.

The noble Lord, Lord Kirkwood, was absolutely right to point out that the pre-1991 annuitants did what successive Governments urged them to do. They took out pensions for their retirement so as not to be a burden and to enjoy a reasonable old age. However, they are now left with virtually nothing, with no chance of any compensation whatever. In his opening remarks the Minister quoted what the coalition Government said in May this year:

"We [will] implement the Parliamentary Ombudsman's recommendation to make fair and transparent payments to Equitable Life policy holders, through an independent payment scheme, for their relative loss as a consequence of regulatory failure".

But the ombudsman's recommendation was that all policyholders should be restored to the position they would have been in had no maladministration occurred. That is patently not the case for the pre-1991 policyholders. I should say also that it is not the case either for the unlucky 1 million policyholders who are also, I believe, being unjustly

treated: those who have not yet vested. Under the provisions of the Bill, they will receive only around 15 per cent of the compensation that they would otherwise have been entitled to. They will not be getting just a hair cut, but a crew cut, because a cut of 85 per cent is really savage. Of course, as the ombudsman said, public expenditure should be considered but it should be proportionate. Why not take the kind of percentage that government departments are being asked to implement—namely, 19 to 20 per cent—which would be fair? Eighty-five per cent is not at all equitable.

Can the Minister explain a little more fully why the Government first accepted £4,500 million as the amount due to the Equitable Life policyholders in compensation but have now reduced that to £1,500 million? The Chancellor has just tossed £7,000 million to the Irish Government to bail out their failing banks; surely pensions in this country deserve just as much as the bailing out of BIFFO's banks in Ireland. There must be enough money to spare if we are sending £7 billion over there.

Equitable Life was nothing but a giant Ponzi scheme that slipped under the radar of three successive well-paid regulators. I hope the Government will listen to what the noble Lord, Lord Kirkwood, said about continuing some form of discussion with the Equitable Life Members Action Group to see if they can do a little better than this. **I do not believe at the moment that all the pensioners who have suffered from misregulation have been properly compensated. This is not the justice envisaged by the ombudsman.....**

Lord Willoughby de Broke: My Lords, I direct the noble Lord's attention to paragraph 15 of the Explanatory Notes, which says:

"They are a group of policyholders who are 'trapped' in their policies, in receipt of a declining income in their retirement and generally the eldest".

That is the absolute definition of the pre-1992 annuitants. Their income has gone down very significantly since 2002 and it was not, as I said, their fault that they did not know that there was maladministration. It is grossly inequitable that they are left out of this arrangement altogether and just abandoned to twist in the wind by the Government.

Lord Sassoon: My Lords, I am conscious of the time that we have got to. I can only repeat that, while I accept what the noble Lord reads out as factually correct, he omits to point out what I have said: **it is nevertheless the fact that those pre-1992 annuitants could not have been affected by maladministration, which is the purpose of this compensation scheme.** Although I entirely accept the analysis of what has happened to their income levels in recent years, the judgment is that, on balance, they were paid more in the early years than they should have been, and that exceeds the reduction in more recent years. It is a regrettable situation but not one that it would be proper to bring into the compensation scheme.