



Equitable Life and the Ombudsman's report

Q: What did the Government say in response to the Ombudsman's report?

A: After carefully considering the complex and important issues raised by the Ombudsman's report the Government agreed that there were some cases of maladministration by the public bodies, that is by the regulator or the Government Actuary's Department. The Government apologised to policyholders on behalf of the public bodies and successive governments responsible for the regulation of Equitable Life between 1990 and 2001 for the maladministration it accepts took place.

The Government's formal response to the Ombudsman's report on Equitable Life and the statement made by the then Chief Secretary, Rt Hon Yvette Cooper on 15th Jan 2009 can be found at http://www.hm-treasury.gov.uk/equitablelife_govt_response.htm.

Q: The Government says it will set up an ex-gratia payments scheme. What does that mean?

A: The Government does not believe that it is generally appropriate for the taxpayer to pay compensation where there is regulatory failure. The responsibility to minimise risks and to prevent problems occurring in a particular financial institution lies, first and foremost, with the people who own and run that institution.

Nevertheless, the Government recognises that some policyholders have been disproportionately affected by the events at Equitable Life. The Government has therefore decided to set up a scheme to make ex-gratia payments to those hardest hit by the maladministration it accepts has taken place.

The Government does not, however, currently hold the information needed to implement a payment scheme and so has asked Equitable Life to make available their detailed policyholder data. The Government has also asked former Lord Justice of the Court of Appeal, the Rt Hon Sir John Chadwick, to look at the information and consider a number of issues in relation to determining relative losses suffered by policyholders, and their impact.



Q: What does “disproportionate impact” mean?

A: The Government wants help under the payments scheme to be targeted where it is most needed but has not yet been able to form a precise view on what factors will need to be considered because it lacks the information at present needed to do this. The Government has asked Sir John Chadwick to consider what factors may be appropriate to take into account.

Q: What else has the Government asked Sir John Chadwick to do?

A: Sir John’s full terms of reference can be found in the Government’s response to the Ombudsman’s report at http://www.hm-treasury.gov.uk/d/equitablelife_150109.pdf

Q: Why don’t you just pay everyone the full amount that the Ombudsman suggested?

A: The Ombudsman recognised in her report that the public interest is a relevant consideration. What this means is that it is appropriate for the Government to consider the impact on the general taxpayer of any payments. The Parliamentary Select Committee on Public Administration, in its report on Equitable Life of December 2008 (Justice delayed: the Ombudsman’s report on Equitable Life), also recognised the principle that payments should reflect the maladministration that occurred. The taxpayer should not fund payments for loss attributable to other factors, such as market conditions or the actions of Equitable Life itself. The Ombudsman’s remit did not permit her to look at the actions of others, so it is right that the Government considers all the issues in the round.

Q: How can the Government intervene as it did for Northern Rock, Bradford and Bingley, Icesave etc but not for Equitable Life members?

A: The issues facing the banking sector have involved significant systemic risk, that is to say there was a danger of a widespread loss of confidence in the banking system as a whole, which would have had a profound effect on the wider economy. It was to preserve general financial stability that the Government took that action it did in the banking sector. The circumstances surrounding these cases are quite different to those relating to Equitable Life in the 1990s, which did not then, and does not now, have any impact on financial stability.

