Press statement from EMAG
Strict embargo until 00.01am 17 July 2008

"Regulators fully aware that Equitable was insolvent" – EMAG

Action group EMAG today welcomed the publication of the Parliamentary Ombudsman's report, saying that it was a "devastating indictment of the actions of the UK regulators over an entire decade."

Paul Braithwaite of EMAG (Equitable Members Action Group) said: "The UK regulators were fully aware for a decade that Equitable Life was effectively insolvent, yet they allowed the company to suck in another £20 billion in pension contributions from more than a million new investors."

The Parliamentary Ombudsman makes no estimate of the losses incurred or the cost to the public purse. EMAG has addressed both these issues in its submission to the PO, which is reproduced in full in the Report. This estimates losses incurred by policyholders at £4.65bn.

EMAG is calling on Parliament to compensate without delay those policyholders who have suffered. "Thousands of pensioners have died waiting for justice," said Braithwaite. "It's time the Government stopped hiding behind one enquiry after another and did the moral thing to bring this sorry saga to a close."

The group expects the Government to resist calls for compensation and is digging in for a long fight. "While we hope that Parliament will now honour the Parliamentary Ombudsman's unequivocal recommendation to set up a fund for compensation, we stand prepared to take the Government to Judicial Review - if that's what it takes."

During the summer recess EMAG will be organising its members to write to MPs and candidates in marginal constituencies as well as undertaking an extensive lobbying campaign. It has also set up a network of 20 regional groups to coordinate campaigning in those areas. Since it launched last week, more than 700 people have joined the regional campaign at www.emagregional.org.uk

"We want to ensure that the Equitable scandal becomes an embarrassing election issue" said Braithwaite. "If we can hit them where it hurts in the marginals, perhaps at last the Government will start listening to the victims."

Ends Note: A useful list of key facts is on the following page.

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EMAG's summary fact sheet - 17 July 2008

- Equitable Life was insolvent for 6 out of 11 years from 1990 to 2000. According to EMAG's actuarial advice, if the regulators had insisted on proper provisions for liabilities, the Society would have been insolvent for 6 years out of 11 (1990 - 2000 inclusive).

- According to Lord Penrose "*assets fell short of policy values on every 31 Dec from 1990 to 2000*".

- In 1990, the GAD allowed Equitable to apply a discount of 52% to its main pension business liability reducing it from £3.95 billion to £1.913 billion.

- The regulators allowed Equitable to grow the size of its business sixfold when the rational decision would have been to close it down before it did any more damage.

- The regulators allowed Roy Ranson to act as chief executive and actuary – effectively acting as his own referee.

- The regulators have been found to have failed in 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000 and 2001.

- The FSA decision to permit the Equitable to remain open after 1998 "*was not grounded in a sound factual or legal basis*" according to the PO.

- In EMAG's view in 1998 the regulators crossed over from mere incompetence to a huge cover up when the Treasury took over from the DTI. This included acquiescing in the purchase of a worthless reinsurance treaty to create the illusion of solvency at Equitable Life.

- FSA was found guilty of propagating misleading information between the closure of the Equitable to new business in December 2000 and the run up to the compromise in 2001.

- When the FSA said that Equitable was solvent in 2001 – it KNEW it was not true.

- If the regulators had revealed the true state of affairs to policyholders at the beginning of 2001, they would have had the information to campaign for a government lifeboat - but instead the Treasury and the FSA covered it all up.

- A Government or financial services industry rescue in 2001 would have saved taxpayers from the added interest that has now accrued on the compensation due and avoided the stress and misery inflicted on more than a million UK citizens.

- The Government's repeated assertion that Equitable's policyholders were "well-heeled" is not borne out by the facts. The average individual pension pot was just £46,000 – enough to buy a pension of less than £70 a week.

- The Parliamentary Ombudsman makes no estimate of the losses incurred or the cost to the public purse. EMAG addressed both these issues in its submission to the PO, which is reproduced in full in the Report. This estimated the losses incurred by policyholders relative to investment in competitor providers at £4.65bn. Assuming that (in line with existing settlements) about 70% of policyholders will be able to show relative loss, the cost to the public purse (including interest) might be in the order of £4.5bn.

- The cost of compensation is roughly equivalent to the amount lost EACH YEAR by the Treasury through benefit fraud, benefit error, tax credit fraud and tax credit overpayment – totalling £4.2 billion.

- The regulation of life insurance companies is PAID for by the policyholders through a levy on the companies. Equitable Life policyholders therefore paid for a service which they did not receive.

- Gordon Brown's stealth tax on pension funds has cost pensioners £5 billion a year, each and every year since 1998.

- The 2007 Queen's speech included the statement '*My Government is committed to openness and accountability and to a strong parliament able to hold the government properly to account*' EMAG would like to see these fine principles put into practice.