

## Equitable Members Action Group Ltd

### **Press release**

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## **Honor Blackman calls on Government to help Equitable Life pensioners now**

**Actress Honor Blackman today called on the Government to make payments on account to 44,000 elderly Equitable Life pensioners who have yet to receive any compensation despite the Parliamentary Ombudsman's recommendation that they should do so.**

"The Treasury has been dragging its feet at every turn" said Ms Blackman. "It is now 19 months since the Parliamentary Ombudsman's report was put before Parliament and yet we are still waiting for a single penny to be paid."

EMAG (Equitable Members Action Group) has produced a costed proposal for the Treasury to make interim payments to the with profits annuitants who were recently transferred from Equitable Life to the Prudential. "Everybody who has a policy with Equitable Life has been badly affected, but for the annuitants time is running out. Many have seen their pensions fall by more than 50% with the prospect of further falls to come" said Ms Blackman.

EMAG is calling for the Government to make immediate tax-free payments to the annuitants which can be deducted from any final compensation they receive. The cost is calculated at £214 million. The average age of the pensioners is now 79 and it is estimated that thousands have already died without seeing any compensation for the serial failures in regulation that the Government has admitted.

"If the Treasury implements EMAG's proposal, it will mean 2,500 victims and their families will at least have something to help them enjoy their last few months on earth and another 41,000 will be able to enjoy their retirement a little better." said Honor Blackman.

The proposal also calls for similar payments to be made to the surviving partners and families of the estimated 10,000 annuitants for whom this has come too late.

EMAG is launching a major campaign to target candidates of all three main parties in more than 550 constituencies in the run up to the election seeking their support. Further details can be found at [www.emagregional.org.uk](http://www.emagregional.org.uk)

Ends

**Encs** EMAG's costed proposal

### **Editors notes**

*In July 2008, the Parliamentary Ombudsman found "a decade of regulatory failure" but when the Government finally responded in January 2009, it was to dispute that some of the Ombudsman's finding of maladministration had led to injustice. EMAG launched a Judicial Review to challenge this and was successful in having three of the main findings of injustice confirmed by the court. The court's decision has forced the Treasury to expand its payment scheme back to policies affected from 1991 rather than 1999.*

## **EMAG proposal for payments on account to be made immediately to former Equitable Life with profits annuitants**

EMAG estimates that of the 54,000 Equitable with profits annuitants in 2002, (when their pensions were dramatically cut), 10,000 have now died, in many cases leaving behind a spouse with either no pension or a greatly diminished one. The average age of those still alive is 79.

EMAG proposes that all 44,000 remaining with profits annuitants should be sent a tax-free cheque equivalent to 2 years of their current pension, as a payment on account pending distribution of proper compensation. This it estimates would only amount to a tiny percentage of the true losses that they have sustained and is therefore easily affordable if there is the political will. The payments on account would be deducted in full from any final compensation amounts when they are paid.

Distribution could be easily handled by the Prudential, who now administer these annuities.

Payments to the surviving spouses or the estates of those 10,000 who have died would be calculated on a sliding scale dependent upon the year of death. In the case of annuities which ceased payment before the transfer to the Prudential, calculation and distribution could be administered by Equitable Life.

EMAG's estimates of the costs are as follows:

Typical value of investment at start of annuity	£47,000
Typical Current (reduced) annuity payment	£2,200
One off tax free payment on account (2 yrs x £2,200)	£4,400
Cost to public purse (44,000 x £4,400)	£194 million
Cost to public purse to make payments to 10,000 estates (rough estimate)	£20 million
<b>Total cost</b>	<b>£214 million</b>

Caveat. The amounts above for investment current annuity and payment on account are typical. The amounts for individual policyholders will vary according their particular circumstances.

We believe that this proposal is:

- Simple to calculate
- Easy to distribute
- Affordable
- Does not compromise any eventual compensation amounts
- Delivers some real benefit to elderly people suffering real hardship in their later years of life

## Explanatory notes:

EMAG asked Chartered Accountants Burgess Hodgson to suggest a simple payment on account scheme to provide immediate relief for the With Profits Annuitants of Equitable Life. This group has been identified by Parliament (in the motion approved by the House of Commons on 21 October 2009), as having been particularly badly affected by the maladministration of the regulation of the Society. They have been badly hit, because their pensions were already in payment, when Equitable Life's problems emerged, those pensions have diminished sharply, their contracts are fixed for life and, as the oldest group, they are least able to supplement their income by continuing to work.

EMAG is calling on the Government to make an immediate payment on account to all living with-profits annuitants of 2 times their present annual pension. We also call on Government to make a payment to the estates of those who have died since the Society closed in December 2000, based upon a scale of multiples of their annual pension at the date of death. The calculation of a typical payment is shown below:

Typical original annuity purchase price		£47,000
Typical Current Annual Pension	A	£2,200
Suggested tax-free payment on Account (expressed as a multiple of current pension)	B	2.0 years
Typical payment	A x B	£4,400

EMAG recognises that the calculation of the losses of with profit annuitants is a complex task, currently being undertaken by Sir John Chadwick. The object of this proposal is not to pre-empt or confuse that task and the modest level of payment on account has been deliberately set to minimise the possibility of individuals being over-paid.

This would benefit about 44,000 current with profit annuitants and about 10,000 estates of annuitants that have died (mostly widows). We estimate that cost to the public purse at about £214m (£194m for the former and £20m for the latter)

At December 2007 the WPA fund was valued at £1,800m for the purpose of its transfer from Equitable Life to Prudential. The evidence of our members is that their pensions have been halved since 2002 and that suggests aggregate losses of about the same amount. Sir John Chadwick should be able to confirm that £216m is well below the level of losses, for which he is likely to recommend compensation.

Such payments on account would be:

- Deductible from the total compensation eventually approved by Parliament.
- Expressly made free of tax, confirmed by a statement from HMRC and /or an appropriate section in the next Finance Act.
- Not repayable.