

# MEMORANDUM

## Memorandum for the Committee of Public Accounts: Equitable Life Payment Scheme

### Background and Scope

1 In 2010, HM Treasury set up the Equitable Life Payment Scheme (“the Scheme”) to compensate Equitable Life policy holders for the relative loss they had suffered on their investments following government maladministration in the regulatory returns of the Equitable Life Assurance Society between 1992 and 2000. The operations of the Scheme were handled by National Savings and Investments (NS&I).

2 This memorandum has been prepared at the request of the Committee of Public Accounts (PAC) and sets out how HM Treasury dealt with appeals on the compensation received by policyholders from the Scheme. The Memorandum describes:

- the appeals process for policyholders applying to the Scheme;
- the information available on appeals or other cases dealt with by HM Treasury or the Independent Review Panel (IRP) which was set up to handle appeals; and
- the timescales of events involved and how data retention policies were applied.

3 We have held discussions with HM Treasury officials and reviewed the available case information. We have not audited or validated the information.

### The appeals process

4 The Scheme included a complaints process where affected policy holders could contact the Scheme if they were dissatisfied with aspects of the compensation process. We reported on the initial stages of the process in 2013 in *Administering the Equitable Life Payment Scheme*.<sup>1</sup> After some initial issues with the process, HM Treasury supported NS&I to establish a queries handling team in December 2012 to address policyholders’ queries more effectively.

1 Comptroller and Auditor General, *Administering the Equitable Life Payment Scheme*, Session 2012–2013, HC 1043, National Audit Office, April 2013.

5 HM Treasury also set up the IRP to escalate those complaints where the policyholder felt that NS&I had not offered an adequate resolution, or where policyholders had grounds that the Scheme rules may not have been appropriately applied. The panel was made up of three members who were independent of the Scheme and had not been involved in creating the Scheme rules or the procedures for implementing them.

6 Complaints received by the Scheme and the IRP ranged from errors in the policy start dates and term, miscalculations in entitlements and subsequent payments, and the offsetting of gains and losses for multiple policies. There were also issues around the length of time taken by the scheme in providing documents or responses to policyholders and lack of clarity about the methodology of calculation.

7 The Scheme closed to new claims on 31 December 2015 and it is no longer possible to make a claim for initial payment or to request the reissue of an out-of-date warrant for an initial payment. The annual payments to With-Profits Annuitants continues unaffected for the duration of the eligible annuities.

8 Complaints and queries were accepted for two months following the closure of the Scheme. The complaints process closed on 29 February 2016.

9 HM Treasury has indicated that it would be administratively difficult to reactivate the claims process or start a new one due to the lack of infrastructure and resources. To reactivate the process would take a similar length of time to set up as the previous Scheme (around 12 to 18 months) and involve significant costs to taxpayers. HM Treasury considers that there is no evidence that any claim from the re-opening of the process would result in further payments.

## Volume of cases

10 HM Treasury published a final report on the Scheme in November 2016 which set out statistics on payments and complaints.<sup>2</sup>

- As of 31 August 2016: the Scheme had issued payments of over £1.12 billion to 932,805 policyholders, amounting to 90% of eligible policyholders; 38,298 With-Profits Annuitants who received £371 million; and 894,507 non With-Profits Annuity investors received a total of £751 million.
- Of the 932,805 policy holders paid, around 24,000 (2.6%) made a complaint to the Scheme, meaning 97.4% of cases were finalised without complaint. Most recorded complaints related to delays in receiving documentation or information; the method used to calculate payments; the length of time taken to receive a payment; and errors in information provided to policyholders.
- Where policyholders who complained were dissatisfied with the Scheme's initial response to their complaint, they could make an appeal to the IRP. Around 93% of complaints were resolved without involvement of the IRP.

<sup>2</sup> *Equitable Life Payment Scheme: final report*, HM Treasury, November 2016, available at: [www.gov.uk/government/publications/equitable-life-payment-scheme-final-report/equitable-life-payment-scheme-final-report](http://www.gov.uk/government/publications/equitable-life-payment-scheme-final-report/equitable-life-payment-scheme-final-report)

- The IRP received 1,652 complaints, around 1,100 of which were complaints in a template format from a co-ordinated initiative towards the end of the operation of the complaints mechanism. Of the 1,652 appeals, 1,492 failed and 160 were upheld. Some of the cases upheld did not relate to payment calculations, but to other issues such as the speed with which payments were made.
- As a result of the complaints, the Scheme undertook a number of exercises to address the issues raised, including recalculations and amendments to policy information. In some instances, this resulted in additional payments. In some cases, the need for recalculations was identified during the initial case handling by the Scheme, and in others following referral to the IRP.

11 In response to our most recent enquiries, HM Treasury has provided additional summary information on cases reviewed by the Scheme and IRP, and the outcomes of these reviews. The complaints to which the cases relate were all within the period from 2013 up to August 2014. While the new information covers the majority of cases considered, it is not complete. HM Treasury has not been able to provide us with any data covering the remaining time period until February 2016.

12 The NAO has reviewed the information supplied by HM Treasury, summarised below, but has not audited or validated the documents supplied. The information comprises:

- A summary of 116 cases where policyholders had appealed to the IRP against the determination of the scheme or where policyholders were dissatisfied with the responses the scheme administrators had provided to their queries. The document also outlines whether cases (covering the period up to August 2014) were upheld by the IRP or not, and 13 (11%) were upheld. These records were part of the overall case load of 1,652 submitted to the IRP.
- A summary of 24 claims referred to Towers Watson, the actuarial firm, appointed by HM Treasury to perform recalculations. This included cases up to July 2014, a subset of the overall 24,000 complaints. Some, but not all, were among the 1,652 complaints submitted to the IRP.

13 Of the 24 requests for recalculation, 15 led to recalculations, and in nine cases Towers Watson determined without reperforming the calculation that no change was required. Of the 15 recalculations performed:

- 12 recalculations related to issues with the data provided from Equitable Life. One recalculation related to a misapplication of offsetting between gains and losses. Two recalculations were to apply reanalysis of pension sharing arrangements.
- 14 of the 15 recalculations resulted in additional payments. Of these, two recalculations led to payments totalling £8.8 million being made in relation to two schemes held by one organisation. The average of additional payments made in the other 12 cases was £5,338.

## Timescales and data retention

14 The Scheme closed to new claimants after 31 December 2015. A final deadline for complaints was set two months later, on 29 February 2016, to provide a closing period during which the Scheme would continue to respond to policyholders' queries and complaints, including for new claimants who made claims just prior to the Scheme closing.

15 At the date of publication of this memorandum, four years and five months had elapsed since HM Treasury published its final report on the Scheme in November 2016, and five years and one month had elapsed since the final deadline for complaints. HM Treasury has indicated that given there is no fixed period for the operation of the process, it is unable to quantify a specific length of time for the retention of documents.

16 HM Treasury informed the NAO that it had been unable to find any further information on appeals or recalculations to that already provided. It made enquiries of NS&I, which provided administrative support to the IRP, and established that it had deleted case data and no longer held it. The independence of the appeals panel meant that HM Treasury had no access to the panel's papers.

17 HM Treasury has reported that it does not hold information relating to the appeals process. This is because the process was independent of HM Treasury, and on closure of the Scheme, HM Treasury had no reason to hold the data, as all appeals were resolved in advance of the Scheme closing.

18 The only remaining part of the Scheme in operation is the annual payments to With-Profits Annuitants, who the government decided would receive an annual payment covering 100% of their losses for the duration of their annuity. Detailed records that maintain the accuracy of these ongoing payments and the historic payments made by the Scheme need to be retained while this process remains in operation.

# Appendix One

**Figure 1**  
Chronology of events

Date	Event
September 1992 – December 2000	Relative losses made by policyholders during this period are covered by the compensation scheme.
July 2008	Parliamentary and Health Service Ombudsman publishes a report, in which it calls for a compensation scheme.
January 2009	The Government accepts maladministration and undertakes to pay some form of compensation although not in the form proposed by the Ombudsman. It commissions Sir John Chadwick to advise.
July 2010	Government announces the report by Sir John Chadwick, but does not accept his recommendations.
October 2010	The Public Administration Committee publishes a report on Equitable Life.
October 2010	The government publishes a response to the Public Administration Committee's report and sets aside £1.5 billion for compensation payments in the Spending Review.
January 2011	Independent Commission on Equitable Life Payments publishes report.
June 2011	First Payments made through the Scheme.
April 2013	National Audit Office publishes report on Administering the Equitable Life Payment Scheme.
July 2013	The Public Accounts Committee reports on the administration of the Equitable Life Payment Scheme.
December 2015	Scheme closes to new claims after 31 December 2015.
February 2016	28 February 2016 is the final day when complaints and queries can be raised on the Scheme payments.
November 2016	HM Treasury publishes Equitable Life Payment Scheme Final Report.
December 2017	PAC Chair writes to HM Treasury asking for a further update about work done on Equitable Life compensation calculations since 2015, how HM Treasury is ensuring it sustains engagement with policyholders, and what assessment HM Treasury has made of those policyholders' reception of work on this issue.
January 2018	HM Treasury responds to PAC.
June 2020	PAC Chair writes to HM Treasury regarding operation of the Scheme and payment calculations.
July 2020	HM Treasury <u>responds</u> to PAC.

Sources:

Parliamentary and Health Service Ombudsman, Equitable Life: a decade of regulatory failure, Fourth report session 2007 to 2008, HC 815-I.

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Public Administration Committee, Equitable Life, 14 October 2010.

HM Treasury, Equitable Life: The Government response to the Public Administration Select Committee's Third Report of Session 2010-11, Cm 7960.

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Comptroller and Auditor General, Administering the Equitable Life Payment Scheme, Session 2012–2013, HC 1043, National Audit Office, April 2013.

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HM Treasury, Equitable Life Payment Scheme: final report, available at: [www.gov.uk/government/publications/equitable-life-payment-scheme-final-report/equitable-life-payment-scheme-final-report](http://www.gov.uk/government/publications/equitable-life-payment-scheme-final-report/equitable-life-payment-scheme-final-report)

Letter from Chair of the Committee of Public Accounts, 21 December 2017, available at: [www.parliament.uk/documents/commons-committees/public-accounts/Correspondence/2015-20-Parliament/hmt-administering-equitable-life-payment-scheme-2111217.pdf](http://www.parliament.uk/documents/commons-committees/public-accounts/Correspondence/2015-20-Parliament/hmt-administering-equitable-life-payment-scheme-2111217.pdf)

Letter from Permanent Secretary, 22 January 2018, available at: [www.parliament.uk/documents/commons-committees/public-accounts/Correspondence/2017-19/Correspondence-hmt-Equitable-Life-Payment-Scheme-220118.pdf](http://www.parliament.uk/documents/commons-committees/public-accounts/Correspondence/2017-19/Correspondence-hmt-Equitable-Life-Payment-Scheme-220118.pdf)

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