MC2014/06267

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Robert Neill MP
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London
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Dear Bob

Thank you for your letter of 4 December to George Osborne on behalf of your constituents about Equitable Life Payment Scheme ("the Scheme"). I am replying as Minister responsible for this policy area and I apologise for the delay.

I am very sorry to hear that your constituents continue to be unhappy with the Equitable Life Payment Scheme (the Scheme). After many years of delay this Government acted to resolve this issue, accepted all the Parliamentary Ombudsman's findings of maladministration and calculated policyholders' relative losses accordingly. This produced an overall figure of £4.1 billion. As the Parliamentary Ombudsman herself acknowledged, in considering the level of ex-gratia payments to policyholders who had suffered a relative loss, it was appropriate to consider the impact on public finances.

Given the ongoing significant pressures on the public finances and the need to balance fairness to policyholders and fairness to the taxpayer, the Government decided that £1.5 billion was the appropriate level of funding for the Scheme. In line with the many representations HM Treasury received, the decision was taken to cover the relative losses of With-Profits Annuitants in full on the basis that they were the most vulnerable group.

These were difficult decisions taken in the light of the position of the public finances. While the improving economic news is welcome, there remains significant constraints on the public finances, with the Government forecast to borrow £91 billion this financial year. The Government is committed to returning the public finances to a sustainable path as part of our long-term economic plan. As a result, I am sorry to say that the Government has no plans to alter the design or rules of the Scheme, including those which relate to the level of payments.

I am sorry to read that many of your constituents consider the Scheme to be severely delayed. In the recent letter I sent to members I set out that as at 31 October 2014, the Scheme has issued payments totaling £990.5 million to 887,061 policyholders. This means that close to 90 per cent of eligible policyholders have received their payment from the Scheme. The focus of the Scheme is now very much on tracing those who have not come forward to ensure that as many payments are made as possible.

I appreciate that my response may be disappointing to your constituents but I hope they find it helpful to understand the Government's position on this matter.

Best wishes

Andrea

ANDREA LEADSOM