



Committee of Public Accounts

House of Commons, London SW1A 0AA

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Rt. Hon. Dame Margaret Hodge MP
House of Commons
London
SW1A 0AA

02 March 2020

Dear *Margaret,*

RE: A further inquiry into the payments made to victims of the Equitable Life scandal

Thank you for your letter of 29th August setting out your joint concerns in relation to the administration of the Equitable Life Payment Scheme. I note that you are particularly concerned about the transparency of both the Treasury's payment methodology and of the calculations used to determine amounts due, as well as the governance processes operating over the scheme.

Following the Government's responses in November 2013 and March 2015 to this committee's recommendations, I wrote to the Treasury in December 2017 asking for a further update. Specifically, I asked about work done on Equitable Life compensation calculations since 2015, how the Treasury is ensuring to sustain engagement with policyholders and what assessment the Treasury has made of those policyholders' reception of work on this issue.

The Treasury responded to me in January 2018. The information provided in that response explains the Treasury's decision, when implementing the scheme, to use the actuarial model, developed as part of the Chadwick review into Equitable Life, which in the Treasury's view saved both time and money but was not designed to provide a step-by-step calculation that a layperson could follow. The note also sets out Treasury's further interactions with policyholders and other stakeholders, including EMAG and its advisors, and the additional information the Treasury has published since 2014 in relation to scheme design.

The information published by the Treasury is available at <https://www.gov.uk/government/publications/equitable-life-payment-scheme-design> and this includes a Technical Annex: Loss calculation method and payment assumptions used

In reflecting on the Treasury's response to my letter, and considering the concerns you have raised with me, Treasury's response itself indicates that an actuary, using the publicly available information on calculation methodology, has been unable to replicate the model to confirm that payments are correct without assistance from



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actuaries engaged by the Treasury. Policyholders may still, therefore, be unable to confirm that their entitlement has been calculated correctly.

I recognise your concern that this relates to an increasingly vulnerable profile of individuals and that there are three cases that you are aware of where errors have been identified by the recipients, but that there may be more.

I am writing again to the Treasury asking for a further update, noting these three instances and asking what the Treasury has done to identify the root cause for these errors, as well as other errors identified by the scheme's own processes, and what actions have been taken to confirm whether the same issue(s) may also apply to payments made to other policyholders and, if so, what the Treasury has done to rectify this.

I hope you find my response helpful.

Yours sincerely,

MEG HILLIER MP
CHAIR OF THE COMMITTEE OF PUBLIC ACCOUNTS

CC: Rt. Hon. David Davis MP and Rt. Hon. Edward Leigh MP.