Committee of Public Accounts
House of Commons, London SW1A 0AA
Tel 020 7219 5776 Email pubaccom@parliament.uk Website www.parliament.uk/pac

Sir Tom Scholar
Permanent Secretary
HM Treasury
1 Horseguards Road
London
SW1A 2HQ

02 March 2020

Dear Sir Tom,

**RE: Equitable Life Payment Scheme**

In April 2013 the Public Accounts Committee reported on administering the Equitable Life payment scheme.

That report concluded that policyholders do not receive sufficient explanation of how their payments have been calculated and that Treasury and NS&I were wholly reliant on actuarial calculations by Towers Watson and some data underlying those calculations could have been incorrect.

<u>We recommended that:</u>

The Treasury should write to the Committee outlining what action it has taken to make sure the data used by Towers Watson are correct, and what it will do to make sure policyholders receive better and fuller explanations on how their payments have been calculated.

The Government subsequently responded to this Committee in November 2013 and March 2015 and told us that the Treasury had published a step-by-step explanation of their compensation calculations that aimed to address the concerns of EMAG, Equitable Members Action Group.

In December 2017 I wrote to you asking for a further update about work done on Equitable Life compensation calculations since 2015, how Treasury is ensuring to sustain engagement with policyholders and what assessment Treasury has made of those policyholders' reception of work on this issue.

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

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In addition, your note set out the assistance provided by actuaries engaged by HM Treasury to actuaries working with EMAG, who had sought to replicate the models used to calculate entitlement to compensation under the scheme, based on the publicly available information published by the department.

I have recently received further correspondence from members of this House citing their concerns in respect of the transparency of the methodology and payment calculations used in arriving at policyholders' entitlement to compensation.

Your response to me in 2018, referred to above, indicates that an actuary, using the publicly available information, has been unable to replicate the calculation without assistance from actuaries engaged by the Treasury. This may mean that a policyholder may still be unable to confirm that their compensation payment has been calculated correctly without specialist support, despite the additional information published by Treasury.

The correspondence that I have received has brought to my attention three cases where errors have been identified by claimants in the compensation paid to them, although it may be possible that there are others of which I am unaware. I understand that the department is aware of these cases and has now made additional payments to the relevant policy holders.

Noting that it may not be straightforward for policyholders to verify the accuracy of their entitlement to compensation, and the increasingly vulnerable profile of those affected, I am therefore writing to request a further update on errors identified in the amounts paid to those entitled to compensation under the Equitable Life payment scheme.

Specifically, in reflecting on the three errors brought to my attention, I would like to know what HM 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 would be grateful to receive this information by 27 March 2020.

Yours sincerely,

Meg Hillier

**MEG HILLIER MP**
**CHAIR OF THE COMMITTEE OF PUBLIC ACCOUNTS**