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Dear Ms Hillier,

Equitable Life Payment Scheme (the Scheme)

Thank you for your letter of 22 June: I apologise for the delay in replying.

Let me first address the general questions on the operation of the Scheme, and then the particular questions raised more recently by your colleagues.

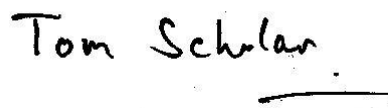
As set out in the note attached to my letter of January 2018, following a ministerial decision in 2015, the Scheme was wound down. As this decision has not changed, there are no new developments in this work to report. That note also set out the substantial work the Treasury has done to explain the background to the Scheme and the payment calculation. Central to this payment calculation was input data that the Scheme received from Equitable Life themselves.

For example, this input data contained details of the policyholder, the choices the policyholder made when buying the policy, the policy type, the payments made into the policy and the withdrawals made from that policy. These are variables that can make a significant difference to the final value of any payment from the Scheme. As an additional check, when the Scheme was operational there was a function for policyholders to challenge their payment. This was done through the core data report, referred to in the 2018 note. This report allowed a policyholder to receive their input data, check its accuracy and to correct any errors.

If a policyholder found an input error then that policyholder could request their payment was recalculated. If this recalculation led to an increased payment amount to the policyholder then the Scheme (not HM Treasury) paid that increased value to the policyholder. These input errors do not mean that the calculation methodology was incorrect. As the 2018 note previously set out, no errors in the actual methodology have been found, including when the Equitable Members Action Group own actuary examined the methodology.

In your letter you referred to three cases where policyholders had identified an error, and where additional payments had been made. For clarity, we do not know the detail of the cases you refer to in your letter. However, the increased payments you refer to were probably due to errors that the policyholder identified in the input data received from Equitable Life. When the Scheme was established in 2011, it was appreciated that cases like this may materialise. This is why the systems to provide policyholders with their input data and a mechanism for correcting identified errors was established. This did result in additional payments to policyholders and so the payments you refer to in your letter were probably resulting from this correction process.

Following a ministerial decision, and after giving notice of closure, this challenge mechanism wound down in 2016, along with other parts of the Scheme. In line with that decision, the Scheme remains closed to new claims and therefore the Treasury has not made any payments to policyholders resulting from policyholder identified input errors since that closure.

A handwritten signature in black ink that reads "Tom Scholar". The signature is written in a cursive style and is positioned above a short horizontal line.

Tom Scholar