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Dear Ms. Hillier,

PUBLIC ACCOUNTS COMMITTEE – EQUITABLE LIFE

At the Public Accounts Committee meeting of 22 April 2021, I promised to write with further information on the treatment of data held for the purposes of payments under the Equitable Life Payment Scheme (the Scheme).

The Scheme's methodology was developed from the work of Sir John Chadwick and his actuarial advisers Towers Watson. HMT was accountable for the delivery of the Scheme, and National Savings and Investments (NS&I) and their service supplier Atos were responsible for operating the Scheme to make the payments to policyholders. The Scheme operated for five years and closed to new claims on 31 December 2015, and the main administrative functions of the Payment Scheme were wound down in 2016.

The Scheme has paid out £1.4 billion to nearly a million policyholders. The only part of the Scheme still in operation is the annual payment to With Profits Annuitants (WPAs), who will continue to receive an annual payment covering 100% of their relative loss for the duration of their annuity.

After the Scheme closed, the administration of the annual WPAs payments was transferred from NS&I to Capita Business Services Ltd (operating as Capita Employee Solutions), a company providing, among other things, pension and payroll administration. As part of this service transfer, NS&I transferred to Capita the Scheme payment data it held, such as customer policy holder records for WPAs and non-WPAs, as well as Independent Review Panel records (including correspondence between policyholders, the Scheme and the Panel, and the Panel's response).

Upon completion of the service transfer from NS&I to Capita in 2017, there was no reason or justification for NS&I (as opposed to Capita) to continue to hold any of this data, since it no longer had any responsibility for any aspect of the Scheme. Accordingly, and in line with the Data Protection Act, once the full data set had been transferred to Capita, NS&I deleted its own local duplicate copy.

Under the terms of the contract between Capita and the Treasury, Capita is required to maintain and update the data it holds on WPA policyholders, to ensure that accurate payments continue to be made to them. Capita is also contractually required to retain the archived historic personal and payment data of non-WPA policyholders.

These records are held by Capita in line with data protection legislation. The purpose is to enable them to ensure the accuracy of ongoing payments to WPAs, and to respond to queries in relation to payments that have already been made, to the WPAs and to other policyholders. All data that is currently held by Capita under the terms of the contract will be reviewed when it comes up for renewal and the service is re-procured. The current contract runs until November 2021, and includes an optional provision for the current service to be extended for a further two years until November 2023.

The Government also established an appeals process – the Independent Review Panel (IRP) – to operate alongside the Scheme. This process was entirely independent of the Treasury. The Government announced in the summer Budget 2015 that the Scheme would close to new claims on 31 December 2015, and that the final deadline for raising any complaints or queries on payments made under the Scheme was 29 February 2016. The IRP considered all appeals and complaints made up until that deadline, resolved them, and communicated the outcomes to policyholders, before itself closing.

In 2013 the National Audit Office asked the Treasury for information on the operation of the appeals process, as part of its work on its report *Administering the Equitable Life Payment Scheme* (April 2013). The request was for summary anonymised information, such as the number of appeals received and the number upheld (broken down by category of appeal), and for some specific examples of individual appeals. The Treasury did not hold this information, since the appeals process was independent, but requested it from the IRP, and passed it on to the NAO. Following the publication of the NAO report, the PAC conducted an enquiry into the Scheme and published its own report *Administering the Equitable Life Payment Scheme* (July 2013). The Treasury replied to the PAC's recommendations through a Treasury Minute published in November 2013. In April 2021 the Treasury resupplied the anonymised statistics on the appeals process previously sent (in 2013) to the NAO, as referred to in the NAO's Memorandum of April 2021. Capita continues to hold all the IRP data that was previously held by NS&I (and transferred to Capita in 2017) as part of its historic data set.

I hope this will reassure the Committee that the Treasury has acted entirely properly and in accordance with the law in its treatment of the personal data held in relation to the operation of the Scheme. As the Economic Secretary to the Treasury has made clear in response to Parliamentary questions on this issue, most recently on 11 May 2021, *"relevant records are currently retained and will continue to be as long as it is legal."*

The Government has reviewed the calculation methodology and its operation on several occasions, and has not found any evidence of any errors. As the Economic Secretary told the House of Commons on 21 January 2021, *"the Government have taken significant action to resolve this issue and to balance the expectations of the policyholder with the needs of the taxpayer. The scheme was fully transparent, as I have set out. We published*

the calculation methodology in full. We made significant resources available to explain it. And we put systems in place to ensure that where there were errors in that input data and, therefore, payments, they were remedied swiftly. I appreciate investors' desire that the scheme should pay out more, but the Government's position has always been clear and consistent, both since the original announcement back in 2010 and since the scheme was wound down over five years ago. I am afraid that that position remains and will not change."

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