

Equitable Life Payment Scheme update

Progress to date

Payments started at the end of June 2011 and over 10,000 eligible policyholders have been paid. Volumes will continue to be ramped up over the coming months, and the Scheme aims to distribute £500 million this financial year. It is anticipated that all Accumulating and Conventional With-Profits policyholders due a payment will have received it by mid 2014. Payments to eligible With-Profits Annuitants (WPAs) have started and they will receive a regular annual payment for the duration of their policy. All eligible WPAs the Scheme can trace will receive their first payment in the first year of the Scheme.

Scheme eligibility

The following policies are eligible for the Scheme:

- An Equitable Life Conventional With-Profits (CWP) policy bought between 1 September 1992 and 31 December 2000 inclusive.
- An Equitable Life With-Profits Annuity (WPA) bought between 1 September 1992 and 31 December 2000 inclusive.
- An Equitable Life Accumulating With-Profits (AWP) policy (both individual and Group scheme policies) that either started between 1 September 1992 and 31 December 2000 inclusive or had a premium payment made into it between 1 January 1993 and 31 December 2000 inclusive.

To receive a payment from the Scheme:

- You must have been identified as the payee of an eligible policy.
- That policy must have made a Relative Loss.
- For AWP and CWP policies, your calculated payment must be £10 or more in total.

Payment timetable

The Scheme will calculate a payment amount for every eligible policy, based on any Relative Loss that policy has made.

All eligible individual policyholders whom the Scheme can trace, can expect to receive a letter and a statement from the Scheme before June 2012, regardless of whether they will receive a payment. The letter and statement will explain the value of any payment due and, if applicable, approximately when they can expect to receive that payment.

Prioritisation of payments

The Scheme accepts the prioritisation principles recommended by the Independent Commission on Equitable Life Payments. This means that the Scheme aims to:

- Begin payments to With-Profits annuitants before June 2012
- Prioritise the oldest AWP and CWP policyholders for earlier payment
- Prioritise tracing the estates of deceased policyholders, as the process is likely to take time

What is a Relative Loss?

This is the figure used to measure the loss each policy has made. Essentially, it is the difference between the actual returns received, or expected to be received, from Equitable Life and the returns that would have been received if the investment had been made in a similar product with a comparable company.

Why are pre 1992 WPAs not included in the scheme?

In her report, the Parliamentary Ombudsman recommended that the aim of the scheme should be "to put those people who suffered a relative loss back into the position that they would have been in had maladministration not occurred". The first returns that would have been different if maladministration had not occurred were those of 1991, which would not have influenced policyholders' decisions until September 1992. The reduction these policyholders have seen in their annuity payments occurred because of poor investment market performance, and early annuity payments that were artificially high due to the structure of the product and over-bonusing.

Further questions on the Scheme

The Scheme has established a comprehensive website (<http://equitablelifepaymentscheme.independent.gov.uk/>) or alternatively you can contact the Scheme on 0300 0200 150. The Scheme is able to address general queries at the call centre, but may ask for more information in writing to response to detailed personal requests