



Equitable Life Saga runs on and on...

This week the parliamentary ombudsman has published a damning report into the Government's supervision of Equitable Life. Despite this swift compensation for the victims looks highly unlikely despite the parliamentary ombudsman, Ann Abraham, calling for exactly that.

In a wider context the Equitable Life fiasco still presents a huge dilemma for clients that are still invested in the 'closed with-profits fund'. Even if the Government does bow to Abraham's demands for compensation, the million-plus potential claimants will have to wait a long time before they find out whether they qualify. And if they do, whether the sum awarded will be better value than transferring their investments elsewhere in search of better returns. The Chancellor Alistair Darling will not respond to Abraham's report until October after the parliamentary recess. He will no doubt have lawyers ploughing through the 2,800 pages for legal loopholes to avoid footing as much of the bill, currently estimated at £4bn for as long as possible.

Vanni Treves, chairman of Equitable Life, has said the government's bailout of Northern Rock leaves it no choice but to offer compensation to policyholders of the insurer. Treves said policyholders had found to be the victims of 'serial mal-administration'. He compared the situation to the government's response to the crisis at Northern Rock. 'It found £20 billion for Northern Rock I think it should find a much smaller sum to compensate for its failings here.'

Equitable's previous management had undoubtedly played in the scandal but said: The society was in part responsible but it was the responsibility of the regulator to supervise what the management were doing and they failed in this in a spectacular way. Indeed, the only thing that is predictable is that the Government will stonewall as much as it dares and keep the payouts as low as it dares. And, of course, the Government's coffers are not exactly brimming over with fifty-pound notes at the moment. Equitable Life says it is already too late for the 30,000 investors that it estimates have died in the eight years since investigations began.

It is far from clear whether it is in all policyholders' interest to wait for compensation to materialise, it is likely to be fiendishly complicated to calculate any compensation owed as many investors in Equitable have actually done better than those in other (closed) with profits funds. Establishing which investors have experienced losses that are directly attributable to regulatory failure will be a laborious task. Advisers still cannot know whether or not a transfer out of the fund at this stage will exclude their clients from future compensation, yet if they remain in the fund there is also the risk that they will endure years of poor performance on their investment.

Equitable investors need to take a realistic view of the possible timing and amount of any future compensation payment for their own personal circumstances. This needs to be balanced against the costs and benefits of reinvesting their remaining funds elsewhere in order to achieve the best possible growth on their investments. Of course, whatever the wrongs and the rights of the case, investors must surely question why the Government has been wasting time in dealing with this issue, they have now managed to delay things right into the middle of a massive crisis of confidence in its ability to govern. Just think they might have got the issue out of the way back in the good old days when they were popular and had some money to spend. Now they are massively unpopular and have no money to spend on this issue and how can the Government ride to the rescue of Northern Rock investors but leave Equitable Life policyholders out in the cold? This has to be the worst ever example of managing a crisis...

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