

Private & confidential

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Date: August 2008
Ref: NUM/9999999999

Dear Member

**Parliamentary Ombudsman's report
Equitable Life: A decade of regulatory failure**

The UK's Parliamentary Ombudsman recently published her report into the failure of the regulation of Equitable Life. We felt it important to let you know our views.

The report

The Parliamentary Ombudsman investigated the actions of the regulators of Equitable Life (including the Government Actuary's Department) during the 1990s. She summed up her conclusions in the title of her report - "*Equitable Life: a decade of regulatory failure*".

Her central recommendation is that the UK Government should set up and fund a compensation scheme with the aim of putting "**people who have suffered a relative loss back into the position that they would have been in had maladministration not occurred.**" This recommendation covers non-UK policyholders too.

She does not make this far reaching recommendation lightly. She recognises that payment of compensation must come at the expense of the UK Government which will always have priorities for the use of tax payers' funds. She has spent 4 years investigating and compiling her report including a careful consideration of the responses of the regulators to drafts of the report during the process. Yet, she has unequivocally recommended the establishment of a compensation scheme.

You can read the report for yourself on the Parliamentary Ombudsman's website www.ombudsman.org.uk

What next?

The Parliamentary Ombudsman has made her recommendations to the UK Parliament. It is up to the UK Government whether to accept and act on those recommendations. However, she has also invited the UK Parliament to debate her report.



Our response

The Society fully accepts the Parliamentary Ombudsman's report. The depth and rigour she has applied (it runs to over 2,800 pages) and the degree of maladministration she has revealed (10 separate counts stretching over a decade) makes her recommendations reasonable and proportionate in our view.

We shall be lobbying UK MPs in all the major parties to support the speedy implementation of the Parliamentary Ombudsman's recommendations. UK policyholders and former policyholders can also help by contacting their MPs.

ACTION

As the UK Parliament is likely to debate the issue, we believe that it is important for UK MPs to understand the views of their constituents. **We, therefore, recommend that UK policyholders and former policyholders write to their MPs and let them know of their interest in the issue.** MPs of all parties are always strongly influenced by the views of their electorate.

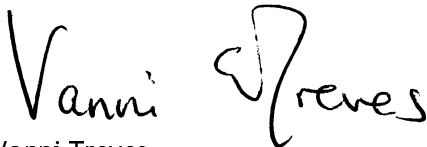
Conclusion

We believe that if many UK policyholders write forcefully to their MPs the prospects for securing Government compensation will be improved. We also believe that it may speed up the process.

You need to be aware that the Ombudsman has not concluded that all policyholders have suffered a financial loss. However, she does believe that in many cases "a loss has been sustained, relative to what would have transpired had those individuals saved or invested with a comparable with-profits fund." It is intended that the detailed rules will be determined by an independent compensation scheme.

If you have any questions relating to this letter please call 0800 408 0097 (or 00800 1020 1040 if calling from outside the UK).

Yours sincerely



Vanni Treves
Chairman



Charles Thomson
Chief Executive

