



RECEIVED 25 NOV 2009

HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

The Rt Hon Tessa Jowell MP  
House of Commons  
London  
SW1A 0AA

Your ref: 01084131

23 NOV 2009

A handwritten signature in black ink, appearing to read 'Tessa Jowell'.

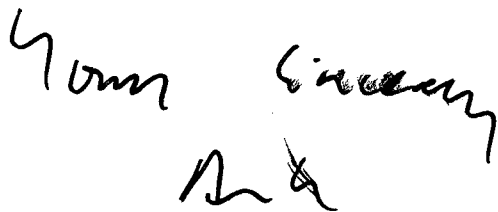
Thank you for your letter of 27 October on behalf of your constituents, about Equitable Life.

In July 2008 the Parliamentary Ombudsman published her report into Equitable Life, which outlined a number of findings of maladministration resulting in injustice and recommended a compensation scheme. After careful consideration of the complex and important issues raised by the Ombudsman's report we agreed that there were some cases of maladministration by the public bodies. We apologised to policyholders on behalf of the public bodies and successive governments responsible for the regulation of Equitable Life between 1990 and 2001 for the maladministration it accepts took place.

However, we did not accept the Ombudsman's recommendation for a compensation scheme, as we do not believe that it is generally appropriate for the taxpayer to pay compensation where there is regulatory failure. The responsibility to minimise risks and to prevent problems occurring in a particular financial institution lies, first and foremost, with the people who own and run that institution.

A further issue was that the Ombudsman was only able within her remit to consider the role of the regulator and not the role and responsibility of Equitable Life and other parties. We do not believe that the taxpayer should fund payments for any losses attributable to other factors, such as market conditions or the actions of Equitable Life itself.

These considerations stood behind our decision to reject the Ombudsman's recommendation for compensation and this decision was upheld by the Divisional Court in the recent judicial review of the Government's response to the Ombudsman's report. Nevertheless, we recognise that some policyholders may have been disproportionately affected by events at Equitable Life. That is why we have announced an ex gratia payments scheme to target help where it is most needed and the focus must now be on establishing a scheme that can make payments as swiftly as possible.

A handwritten signature in black ink, appearing to read 'Alistair Darling', written in a cursive style.

**ALISTAIR DARLING**