



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

16th January 2008

Dear Colleague,

GOVERNMENT RESPONSE TO OMBUDSMAN'S REPORT ON EQUITABLE LIFE

I am writing to let you know about the action we announced yesterday to help Equitable Life policyholders who have been disproportionately affected by events at the Society.

I know you will have policyholders among your constituents and I would like to repeat for their benefit the apology the Government has made for the maladministration that we believe took place during the period prior to December 2001.

The Government has announced that it intends to set up a scheme to make payments to those who have been hardest hit. The Ombudsman did say that she was "very far from concluding that everyone who has complained to me about the prudential regulation of the Society has suffered a financial loss." Nevertheless, it is clear that people have been affected and have experienced significant distress due to the events at Equitable Life.

To do this in a fair way, the Government needs to take account of the role and responsibility of Equitable Life itself and others parties, fairness to taxpayers generally and the need to ensure that the payments scheme can be implemented as quickly as possible. We also need access to detailed policyholder information to understand the relative losses experienced by different groups of policyholders and the factors affecting those losses.

The Government has asked Equitable Life to make this policyholder data available and has also asked the Rt Hon Sir John Chadwick, a former Lord Justice of the Court of Appeal, to look at the information.

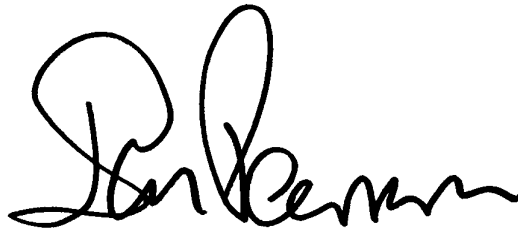
Sir John Chadwick has been asked to advise us on the impact suffered by Equitable Life policyholders and the factors that the Government might take into account when introducing a fair payment scheme for policyholders who have suffered a disproportionate impact.

We share the desire to put a payments scheme in place as quickly as possible and so will seek to progress consideration of the practical issues associated with the delivery of a payment scheme in parallel with Sir John's work.

A copy of the statement to Parliament and the accompanying Command paper can be found at the following web address:

http://www.hm-treasury.gov.uk/equitablelife_govt_response.htm

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Ian Pearson', with a large, stylized initial 'I'.

**IAN PEARSON MP
ECONOMIC SECRETARY**