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Equitable Life investors paid to leave

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Equitable Life is to give a one-off bonus to long-suffering policyholders who agree to leave from 1 April 2011 after the scandal-hit insurer, which caused a decade of misery for its policyholders, has rebuilt its capital base.

The 12.5 per cent bonus, which relates to the value of with-profits policies as at 31 December 2010, is additional to the £1.5bn that the government has already agreed to pay in compensation starting in mid-2011.

While the uplift is good news for some, in the overall Equitable Life situation it is but a drop in the ocean. Victims have lost billions more than will be covered by government compensation - and thousands of Equitable policyholders who would have been eligible for it have already died.

Many people have not taken out their investments because they faced large penalties, so this bonus gives them a better opportunity to leave. But it only goes a small way to compensating for the lack of growth in their portfolios they have suffered over the years.

Independent financial adviser Carl Lamb, now the managing director of Almary Green, used to work for Equitable Life, and says: "It is only those who are retiring who will benefit from this uplift - the policyholders who are below retirement age will not see any improvement in their position and should their personal circumstances mean they are forced to leave the fund they will still be penalised for exiting - for example, a 5 per cent market value adjuster (MVA) is levied on the with-profit pension fund."