

Tel/fax: 020 7676 9346
E-mail: enquires@fs-cp.org.uk

Clerk of the Committee
Treasury Committee
House of Commons
7 Millbank
London
SW1P 3JA

30 January, 2001

Our ref:

Dear Sir/Madam

Equitable Life and the Life Assurance Industry

I am writing to you regarding the Treasury Committee's interest in Equitable Life, on behalf of the Financial Services Consumer Panel, the independent advisory body set up by the Financial Services and Markets Act to represent consumers.

As you know, several bodies are considering the lessons to be learnt from the Equitable Life affair. The Financial Services Authority's report will cover the FSA's role in regulating Equitable since January 1999 and the Personal Investment Authority's role as a self-regulatory organisation. The Institute of Chartered Accountants will consider the roles of members or member-firms who have been connected with the provision of professional services to or the management of Equitable Life. Similarly, the Institute of Actuaries inquiry is considering the adequacy of professional guidance.

The findings of all these investigations will be important, but none of them is looking into the role of the regulators before 1999. There is therefore a serious gap in the scrutiny of the events that led up to Equitable Life's closure to new business. The Panel's view is that this omission is likely to lead to an incomplete analysis of the causes of the Equitable Life crisis, and that important lessons therefore might be missed.

In answering a question from John Butterfill MP on 26th January about whether the Chancellor would make a statement on Equitable Life, the Economic Secretary, Melanie Johnson MP, replied that the FSA are preparing a report. Yet it is clear that the FSA's report will be limited to reviewing their own part in the story. The Consumer Panel is taking a close interest in the FSA report, but we are keen that there should also be an accurate account of earlier events and that the actions of the previous regulators, the Treasury and the Department of Trade and Industry, should be reviewed.

We encourage you, therefore, to consider all the events that led up to the Equitable Life's closure, and to examine the actions of all the relevant regulators, starting with the earliest decisions regarding the guaranteed annuity liabilities. We think this will be essential to

delivering meaningful conclusions about what should have been done, by whom and when, to prevent the present crisis.

Yours sincerely,



Colin Brown
Chairman
FS Consumer Panel

cc. Financial Services Consumer Panel
Howard Davies, Chairman, FSA
Christine Farnish, Director, FSA

FS Consumer Panel can be contacted c/o Consumer
Policy & Research Department at the FSA

Tel: 020 7676 9346 Fax: 0207 676 9712

Email: enquiries@fs-cp.org.uk

Website: <http://www.fs-cp.org.uk>