

Equitable Life Survey

Research Report

prepared for

Financial Services Consumer Panel

by

IFF Research Ltd

17 December 2001

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1 Executive summary

- 1.1 This report presents the main findings of a small quantitative study conducted by IFF Research Limited on behalf of the Financial Services Consumer Panel. The overall objective of the survey was to identify what the needs of Equitable Life policyholders were in terms of advice and information, and assess to what extent these needs have been met since Equitable Life closed to new business in December 2000.
- 1.2 The Consumer Panel were aware that this study came too late to really help Equitable Life investors, but felt that valuable lessons could be learnt to add to a body of information of best practice on how to react to major problems of this nature, and how to protect investors.
- 1.3 33 interviews were conducted with investors who were still with Equitable Life when it closed to new business in December 2001.
- 22 in-depth face-to-face interviews were with with-profit policyholders who are still with Equitable Life; and
 - 10 tele-depth interviews were with not with-profit policies who had been transferred to Halifax.
- 1.4 The Halifax customers were included to establish to what extent they understood that their policies were now 'safe'.
- 1.5 Fieldwork was conducted between 5th – 20th September 2001.

Key Findings

- 1.6 Most investors now have a reasonable level of knowledge of the events surrounding Equitable Life, but this has essentially been 'pieced together over time'.
- 1.7 The level of understanding about how investors might be affected by these events is more uneven:
- Most investors recognise that they have lost money, but do not know how much.

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- Most investors are broadly aware of what options are available, but not which is best for them.
 - Most investors are aware that the vote on the GAR compromise proposals is happening, but some are not aware that they are eligible to vote, particularly non-GARs.
- 1.8 A small proportion of investors have already taken action. However a number are waiting for the vote on the GAR compromise proposals before they make a decision. The announcement of the result of the vote is therefore likely to trigger further activity.
- 1.9 The media and the Equitable Life letters were the key sources of information for most investors. A small proportion sought other advice and information, but again this was mainly from Equitable Life. Views of the way Equitable Life had dealt with these requests were mixed. A number were critical of the time taken to respond or the inadequacy of the response.
- 1.10 Investors were generally happy with the level of communication from Equitable Life and noted that it had increased. Some attributed this directly to the change of the board of directors. However, a lot of criticism surrounded:
- The use of open letters;
 - The early correspondence, which was felt to have suggested the situation was less serious than it was;
 - Length, complexity and lack of personal information in the letters sent to investors;
- 1.11 Most investors who do not have with-profits policies were aware that their policies had been transferred to Halifax but some were confused about when it happened and who held their policy.
- 1.12 Around half of Halifax customers feel that their policy is now 'safe', but some concerns still remain about whether their funds had been affected by events.

Learning for the Consumer Panel

- 1.13 The research has identified a number of areas where the Consumer Panel still could help Equitable Life investors, in particular:
- Ensuring that they know that they are eligible to vote;
 - Warning investors who have stopped paying premiums or top-ups that they should be making some other provision;
 - Encouraging investors to seek independent advice before they take any action.

- 1.14 More generally, the research has confirmed that where a major problem of this nature occurs, investors must be kept well informed. More specifically, what they want to know is:
- What has happened and why?
 - Whether and how it will affect them;
 - The value of their policy and how it has/will be affected;
 - What, if anything, they are required to do;
 - What options they have and which are best for them;
 - Where they can obtain more information and independent advice.
- 1.15 Communications with investors should be:
- Timely - that is from the start and at the same time as articles appear in the press;
 - Direct to investors and not rely on open letters;
 - Brief, clear (jargon free) and factual;
 - As specific and personal as possible;
 - When letters make reference to different types of policy or investor, note the type at the top of the letter;
 - Indicate the implications, options and actions required for key groups (if it is too early to discuss then say it is and when the information will be provided) – The communication programme for endowment policies in a good model;
- 1.16 It is also important to ensure that the system set-up to handle investor queries or requests can respond promptly and efficiently.

2 Introduction

- 2.1 This report presents the main findings of a small quantitative study conducted by IFF Research Limited on behalf of the Financial Services Consumer Panel. The overall objective of the survey was to identify what the needs of Equitable Life policyholders were in terms of advice and information, and assess to what extent these needs have been met since Equitable Life closed to new business in December 2000.
- 2.2 More specifically, the research explored:
- How aware investors were of what was happening to Equitable Life and what events had occurred leading up to its closure;
 - The level of understanding of what impact these events have had on Equitable Life policyholders, in general, and also how this affected their individual policy;
 - Whether Equitable Life policyholders knew what different options were available, which would be best for them and whether they acted upon this in anyway;
 - Where investors sought information and advice, what they wanted to know and how useful they found what was offered.
- 2.3 The Consumer Panel were aware that this study came too late to really help Equitable Life investors, but felt that valuable lessons could be learnt to add to a body of information of best practice on how to react to major problems of this nature, and how to protect investors.
- 2.4 To gain an overall picture of the different experiences of the policyholders and to establish the extent to which they varied, we compared three groups of investors: Those holding with-profits policies which had an option to take an annuity at a guaranteed rate (GARs), those without the guaranteed annuity rate option (non-GARs) and those whose policies had been transferred to Halifax. Amongst this latter group, we wanted to establish whether the investors understood that their policies had in fact been transferred, and whether they realised that their policy was now 'safe'.

Background

- 2.5 In December 2000, Equitable Life stopped selling new policies. Figure 1.1 shows the **main** events surrounding the closure of Equitable Life to new business and what information was released to policyholders.

Background		
2000	House of Lords – upheld GAR entitlement - EL looked for buyer	
Dec 2000	EL closed for business - still looking for buyer - compromise on GAR	} Letter to policy holders Open letters
Feb 2001	Halifax bought not with-profits business	Letter to policy holders
Mar 2001	Appointment of new chairman	Open letter
16 Jul 2001	Reduction in fund values	Open letter and letters to policy holders
20 Sep 2001	Initial proposal on GAR compromise published	Letter to policy holders and document outlining draft proposals
Dec 2001	Vote on GAR compromise proposals	

- 2.6 The background to Equitable Life’s recent problems started in the mid-1950s when Equitable Life started selling with-profits personal pensions with the option of a GAR. Over the next thirty years inflation rates were high and there were high rates of return. In the 1990s low inflation and lower investment returns caused annuity rates to fall below the GAR, thus making the GAR option more attractive and the take-up of these increased significantly. To try to manage the potential detriment to Equitable Life, the directors felt they had the discretionary power to reduce the terminal bonus to policyholders if the GAR option was exercised, thus neutralizing the effect. However, GAR policyholders objected and Equitable Life funded a test case to prove that the procedure was lawful. Equitable Life was successful. The case was taken all the way up to the House of Lords where eventually it was overturned in mid July 2000.
- 2.7 Equitable Life then tried to find a buyer but were unsuccessful and so in December 2000 they sent letters to policyholders explaining that they had closed to new business. Open letters were posted in the newspaper explaining that Equitable Life was still looking for a buyer and that they were working to obtain a compromise on the GAR issue.
- 2.8 In February 2001 policyholders received letters announcing that the Halifax had bought the not with-profits part of the business and that they would also take over the with-profits part and provide a further injection of cash to subsidise the fund should a compromise on GAR be agreed.
- 2.9 An open letter in March 2001 explained that a new chairman had been appointed to the Board of Directors.

- 2.10 Following a financial review on 16th July 2001, an open letter and letter to policyholders announced that the value of all policies would reduce by 16%.
- 2.11 On 20th September 2001, a letter was sent to policyholders describing the initial proposal on the GAR compromise. The vote on this is to be held in December 2001.

3 Methodology

- 3.1 In this qualitative study we talked to a small number of Equitable Life investors and looked, in detail, at their information needs and how well these were met.
- 3.2 In total 32 interviews were conducted. 22 face-to-face interviews were conducted with with-profits policyholders who are still with Equitable Life. These were then split into 10 GAR and 12 non-GAR policyholders.
- 3.3 10 tele-depth interviews were conducted with not with-profits policyholders whose policies had been transferred to Halifax.
- 3.4 The sample was split between those younger investors who had more than ten years before their policy matured and older investors with less than ten years. There were 14 and 18 investors in each group respectively.
- 3.5 Fieldwork was conducted between 5th and 20th September 2001. This was after the announcement of the reduction in fund values on 11th July 2001. The last day of fieldwork coincided with the official announcement of the GAR compromise.

4 Investor Profile

4.1 This section briefly summarises the profile of the 32 investors interviewed. The sample was selected to cover different types of investors by type of policy and time to maturity.

4.2 Just over half of the respondents were male. Respondents were split fairly equally by age with half being over 60 and half between 35 and 59 years. Only one investor was under 34 years. Almost half (14) investors were in the top (AB) social grade, 9 were in social grade C1 and 8 in the lower categories C2/D.

4.3 To assess how knowledgeable and confident investors felt about making financial decisions, they were asked which of the following statements about financial sophistication best reflected their level of knowledge:

- High sophistication – *“I have a very good knowledge and understanding of financial products and services. I like reading the financial papers and I like to make my own choices about financial products and services.”*
- Medium sophistication - *“I have a reasonable knowledge and understanding of personal finance products and services and I am able to weigh up the advice of financial professionals when choosing a product to suit my needs.”*
- Low sophistication - *“Financial issues are best left up to the experts - I generally rely on the advice of financial advisers, friends or relatives about which products are best for me.”*

Very few (4) investors felt particularly knowledgeable or confident about financial issues and had high sophistication. Most were of medium or low sophistication, 15 and 13 respectively.

4.4 None of the investors had attended the Equitable Life Assurance Society Annual General Meeting.

4.5 Only one investor was a member of an Equitable Life action group.

4.6 The remainder of this report discusses the main findings of our study. First we will look at the responses from Equitable Life investors, and explore what they know about the events which have taken place, how this has impacted them, what action they have taken and what advice and information they have obtained. Following this, we will look at the responses from Halifax investors.

5 Equitable Life Investors

5.1 By way of introduction to this section of the report, it is helpful to set the scene by first talking a bit about how Equitable Life investors feel about their situation.

5.2 Most investors feel concerned with some also feeling angry and upset.

“I am very worried – I have been contributing since 1988 and despite constant reassurances from Equitable Life, things have only got worse” GAR

“We’ve been cheated, especially when you hear about the big payouts that the men at the top got while we are left to struggle” GAR

“It looks like I will have to keep working till I drop” GAR

“I am really worried and have had a lot of sleepless nights worrying about the situation” GAR

“Very disappointed. I regarded them as a guilt edged name” GAR

5.3 They also feel let down by ‘the system’. Most thought they had been very prudent, regularly investing money for their pension on retirement and placing this investment with a solid reputable company. They feel ‘the system’ should have stepped in to help them.

“I feel completely let down – no one seems to be able to take control and sort it out” GAR

“They have made mistakes and we are paying for them” GAR

“The government should have stepped in earlier to sort it out and if necessary the industry should have put money in to bail them out and secure confidence” non-GAR

5.4 Some also feel let down not just by Equitable Life directors but also the professionals and the financial advisers.

“We’ve been let down by everyone – the directors, the auditors, for not correctly addressing the situation and also the FSA. They should make checks and have measures in place to ensure any concern holding other peoples’ money is properly run” non-GAR

“The directors have all got a fat pensions and golden handshakes and left us high and dry – they had professionals on board and actuaries – don’t tell me they didn’t know what was happening – they should be made accountable” GAR

- 5.5 Others feel in limbo because they cannot make any decision about the best option to take until they know the outcome of the GAR compromise.

“It’s the uncertainty that concerns me the most, it’s the not knowing” GAR

- 5.6 A small number of investors do not feel concerned about their situation. These are mostly people with small sums involved.

“I am not really concerned about what is going on with Equitable Life because the only thing that will be affected is whether or not I get my bonus. It was only £5 last year” non-GAR

6 Awareness of Understanding of Key Events

6.1 To determine how much investors knew and understood about what was happening to Equitable Life, they were asked to give an account of what they thought had happened and the reasons behind it. We then asked them to explain to what extent they had been affected by these events. In particular, investors were asked about the following 5 key events:

- The House of Lords ruling;
- Equitable Life's closure to new business;
- The sale of the not with-profits part of the business to Halifax;
- The reduction in value of with-profit policies;
- The vote on the proposal for a compromise on GAR policies.

Investors who did not mention these events spontaneously were then prompted.

6.2 Overall, most investors know about all or most events and no one was unaware of the difficulties Equitable Life had experienced.

6.3 Around half of investors spontaneously mentioned the House of Lords ruling, the closure to new business and the sale to the Halifax. Fewer people mentioned the vote on the GAR compromise and very few spontaneously mentioned the reduction in fund values.

6.4 When prompted with the key events, everyone knew about the House of Lords ruling and the closure to new business. Most investors were aware of the remaining events.

6.5 Most investors also had some understanding of why these events had happened. Around half had good knowledge. They tended to be the more financially sophisticated investors.

6.6 A few investors had little or no idea about what had happened. This group was characterized by the fact that they held non-GAR policies, tended to be less sophisticated and female. They were also more likely to be those investors who had a small amount invested and so were not greatly concerned about keeping themselves informed.

"I've not understood much but I'm not that interested in £250. It is a matter of a degree, if I had a greater sum I would have followed it more closely and made it my business to find out" non-GAR

- 6.7 Most investors understood that the reasons for the difficulties arose from Equitable Life not being able to meet the GAR liability due to a lack of funds.

“Directors didn’t keep revenues for a rainy day and paid big bonuses to attract custom” non-GAR

- 6.8 Investors were much less aware of the technical details behind it and, in particular, the reasons for the fall in the fund values.

- 6.9 A small number mentioned that annuity rates had fallen below the GAR or that poor investment returns had led to a reduction in fund values.

“GARs were out of line with the current rate” GAR

Sources of Awareness

- 6.10 The media played a very strong role in keeping most investors up-to-date with the details about key events and the problems surrounding Equitable Life.

“I learnt more from the papers than Equitable Life—Equitable Life only say how it will affect policyholders but the press give more judgment and explains what concerns I should have and how we might be affected” GAR

- 6.11 Letters from Equitable Life were equally an important source of information, but many commented that they came after the content had been detailed in the press. For some the letters came as a reassurance that what they had seen in the press was correct, but many were concerned that they should have received the letters first.

“Always got letters from Equitable Life after I’d read about it in the press. You feel like you are getting the information secondhand – like a football manager reading he’s got the sack before the Chairman told him” GAR

- 6.12 Very few investors actually sought information from any other sources. Only one or two people used each of the following alternatives:

- The Equitable Life website;
- An action group / EMAG;
- A financial adviser;
- A friend;
- An Equitable Life representative.

Implications for Investors

- 6.13 After exploring what investors knew about Equitable Life's problems and how much they understood, it was important to establish if they were aware of how these events would ultimately affect them.
- 6.14 Investor understanding of what Equitable Life's problems implied for them was patchy. Although most felt that they had lost money or would do in the future, they could not quote the sums involved. However, they knew that their losses were accounted for by:
- A reduction in fund values. A few went further to explain that it would be a 20% or 16% reduction;
 - Lower or perhaps frozen bonuses;
 - The penalty incurred if and when they decide to transfer their policy;

"There would be a 10% penalty to transfer at 31/12/00. If I had transferred then I would have lost more than one year's contributions – but with the 16% cut in fund values I have lost more than that anyway" GAR
 - The lower annuity rates or the fact that they would not be able to exercise the guarantee.
- 6.15 A few investors felt they did not know how Equitable Life problems affected them personally. These tended to be those who were less aware of why the problems had occurred.
- 6.16 Some expressed their concern that Equitable Life may go bust, and only half of these thought that they were protected by the Investors Compensation Scheme (ICS) and would receive some kind of settlement.
- "If the with-profits fund was insolvent I heard that we would get 90% back - but 90% of what - Would we be liable at all?"* non-GAR
- "Equitable Life say they are not going bust and have got £30bn but then you read that they are losing £Xm per week, simple maths says it will soon run out"* non-GAR
- 6.17 Most investors were aware if they had any options available to them and also what they were. In particular, they were aware that they could stop paying the premiums or transfer their policies but that this would incur a penalty. However, investors did not always know which was the best option for them.
- 6.18 Older investors and those already retired felt that they had little option but to stay with Equitable Life because if they transferred their policy they could not recoup their monies.

7 Action Taken

7.1 After establishing the extent to which investors were affected by Equitable Life's problems, and what options were open to them, we wanted to know what action (if any) they had taken and the reasons behind them.

7.2 Some Equitable Life investors had taken action and most of these did so after consulting either an Equitable Life or financial adviser.

7.3 The most frequent action was to stop the premiums with the view of 'not throwing good money after bad', especially since their bonuses had been frozen or there was a penalty to transfer. Two investors stopped payments before the issues arose.

7.4 One investor took their pension early. They were advised by a friend to "get out" and received a £13,000 lump sum. However, she believes this is all she will get and she had no idea that she held a GAR policy.

"Even though what I got is just a pittance, it is even more than I would have received if I had prevaricated" GAR

7.5 Another investor decided to cash in their with-profits bond because they thought that they might lose out further.

"Bonuses frozen. There's no point holding it, as risk of being further penalized in the future" non-GAR

7.6 A few investors considered options such as topping-up, transferring or stopping payments to their pension, but decided not to take any action because of the costs involved.

"Thought about moving the policy but the penalty for taking it out was too high – 10% -I was thinking of taking it out when they increased the penalty from 7.5% to 10%" GAR

7.7 Most investors have not taken any action so far and think they are unlikely to do so in the (near) future, mainly because of the transferral penalty and the small amounts invested.

"I'll lose more shifting it than letting it stay put" non-GAR

- 7.8 A lot of investors are waiting for the outcome of the vote on the GAR compromise before they make any plans.

“Thought about stopping contributions because I assumed I’d lose money if Equitable Life went bust, but they told us to hang in there and it would be alright. Well I did and it’s not, now I have no choice but to wait for the vote” GAR

Awareness of vote

- 7.9 The last section of this chapter examines what investors knew about the vote and what they intended to do (It should be noted that all but one interview was conducted before the draft proposals were published).

- 7.10 As discussed earlier, investors were generally aware (after prompting) that the vote was imminent.

- 7.11 A few investors were not aware that they had the right to vote. This group tended to be slightly more likely to have a non-GAR and mostly had low/medium financial sophistication.

“Only those who have GAR are allowed to vote” non-GAR

- 7.12 Most investors were aware of the details of the proposals for the compromise. The majority knew that a lump sum would be added to the fund if the GAR was renounced. Nevertheless, very few were able to quote the amount involved, ie 20% or 17%/2½%. Comments in the media about the nature of the compromise initially focussed only on a payment to GAR policyholders. It was only a week or two before the draft compromise proposals were issued (about half way through the fieldwork) that the notion of a payment to non-GARs was trialled.

- 7.13 Investors were much less aware that Halifax intended to inject funds into Equitable Life should an investor agreement be reached on the compromise and also that 75% of investors needed to agree. The few that did know these details generally had a fairly good understanding about what had been happening.

“GARs will forfeit their right to the guarantee and there may also be a small payment to the policyholders to ensure that they wont sue – if it did go through, and Halifax injects more money, they will subsidise the fund and open up investment returns in the future” non-GAR

- 7.14 Around a half were certain that they would vote because they either felt that it is a serious issue or they are concerned for the future of their individual policy.

“It is in my best interest” non-GAR

“The compromise is good for me” non-GAR

- 7.15 Investors were slightly more in favour of the compromise. This group was made up of both GARs and non-GARS and reflected earlier findings from Equitable Life’s own research. Their main concerns were for the future of Equitable Life.

“For everyone to say no would be the death of the company” non-GAR

“Initially I was going to vote against but it won’t do any good – if I did and it doesn’t go through it will go bust and we would all be worse off” GAR

- 7.16 A very small number of GAR policyholders were against the compromise because they were concerned about their own personal loss and felt it more appropriate to ‘vote with their heads and not their hearts’.

“I am not interested. My GAR is worth more” GAR

- 7.17 A small number of investors were not sure which way to vote because they felt that they lacked sufficient knowledge about the details in the proposal.

“If I knew what they were talking about in the first place, then I would try weighing up everything to see if it’s in my best interest” non-GAR

- 7.18 A few had decided definitely not to vote because they have little invested or nothing to lose.

“The effect on me is minimal so it is irrelevant if I vote” non-GAR

- 7.19 Some investors, mainly those with non-GARs, were unsure about whether they would vote or not either because they felt that they lacked sufficient knowledge about the proposals or, as discussed earlier, they were unsure if they were eligible.

8 Use of Advice and Information

8.1 This chapter looks at what advice and information Equitable Life investors felt that they needed and also their views on what they received.

8.2 Overall, most investors had a reasonable grasp of the issues surrounding Equitable Life. However, these were very much felt to have been “pieced together over time”.

“Since Equitable Life closed for business, we have had a lot of information, not just from Equitable Life but also in the press including financial companies trying to intrude and get our business. We have had to put the whole lot together to form an opinion” non-GAR

8.3 Very few investors had little or no understanding of the issues and this group tended to have low financial sophistication.

8.4 In general, the quality of information from Equitable Life was considered to be good. Investors reported that they were kept well informed about the different key events as they arose. Correspondence with Equitable Life improved with time and some noted the change correlated with a change in the board of directors.

8.5 The consistency of information from Equitable Life and the media was reassuring for investors. However, many felt that the press was more informative, both generally and more specifically, on what might be the best course of action for policyholders to take.

8.6 Whilst most investors generally thought the quality of information from Equitable Life was good, they also had some criticisms. The most frequent criticism about correspondence from Equitable Life, was the use of open letters in the press. Most agreed that the letters served well for speed, but were concerned that people who do not regularly read newspapers could easily miss them. Furthermore, they appeared over a period of time popular for taking holidays. It was felt that the letters should have been followed up with personal letters to ensure that everyone who needed to know the information eventually received it.

8.7 Some felt that Equitable Life suggested that the situation was better than it actually was - especially in the early days.

“With hindsight I can see that all the reassurances were hollow - things have gone so bad so quickly - can't see how they could not have predicted it or seen it coming” GAR

"There was contradictory information at the beginning - Equitable Life reassuring us that it was all going to be alright" non-GAR

"After the House of Lords decision, they immediately put the business up for sale - so they must have known the situation but up till then they had been insisting that everything was fine - but obviously they knew it was not" GAR

- 8.8 The letters were also felt to be too opinionated and defensive and often omitted critical information – ‘it is not what they said, it's what they didn't say’.

"They knew the size of the shortfall on their hands, but they were trying to get around that, the letters they wrote, the factual elements were incomplete, it is what they didn't write about" non-GAR

- 8.9 As discussed in the previous chapter (6.12), many investors considered that information should have been provided to them both earlier, as soon as the problem/issue arose, and before it was released to the media.

"We hear about things a week after it has been announced in the media. The letter with the announcement of the reduction in fund values was dated 6th August" non-GAR

- 8.10 The language used in the letters was also criticised for being, at times, confusing and full of jargon and would have been better understood if written in layman's terms.

"It's like looking at words written in a foreign language" non-GAR

"Half the words I had to look up... I am just an everyday sort of person" non-GAR

"They were deliberately making it more confusing and blurring the issues because they knew the news was going to worry people too much because it was so bad" GAR

- 8.11 Some investors also commented that parts of the letters were not relevant to them and that they felt they should be more personalised. This led to confusion about what options were available to them and which would be best.

"I would like a letter that tells me what is happening in short and easy to understand terms – I want them to tell me what policy I have and what will happen to it rather than expecting me to go through my paperwork and find out what policy I have and whether it will apply to me" non-GAR

- 8.12 Another common criticism about the level of information from Equitable Life was that investors felt unclear about the extent of their potential loss. What they wanted to know was an actual quote of how much their funds were worth, but instead received letters with a confusing explanation of how to calculate their fund value themselves.

“With all their computers and technology why can’t they calculate my actual figure?” GAR

- 8.13 It also became apparent as we talked to people that some investors were not actually aware of whether they had a GAR or a non-GAR policy.
- 8.14 There was also some confusion surrounding how investors would be personally effected by the outcome of the vote and also the relationship between Equitable Life and Halifax.

Advice and Information Sought Directly

- 8.15 This next section looks at what advice and information Equitable Life investors felt that they needed in addition to that obtained from the media or Equitable Life letters, which groups sought additional help and where from.
- 8.16 Around a half of investors sought other advice and information directly. These tended to be slightly more likely to have a GAR policy and to be more aware of the issues surrounding Equitable Life’s problems. Around a quarter of these investors had actually taken some action.
- 8.17 Investors mostly wanted to know specific and personal information about;
- What the implications of Equitable Life’s problems were for them;
 - What kind of policy they held and the value of their fund;
 - The options available to them and the costs that would be incurred if they exercised these options.
- 8.18 A few investors also wanted more general information about what was happening to Equitable Life.
- 8.19 In general, investors who directly sought advice did so through Equitable Life, most frequently by talking to an Equitable Life representative. Two investors mentioned using the Equitable Life website, two mentioned that they had written letters and one said they had used the helpline service.

- 8.20 Not all investors wanted advice from Equitable Life. This was because they felt that they had been let down by Equitable Life in the past and so did not trust them to give unbiased advice about what was best for them.

“Pointless to write to Equitable Life as I think I’d be fobbed off with the same old company line and anyway I wouldn’t give much credence to anything they said – they would be the last place that I would go to” GAR

“I have lost all faith in them and don’t believe anything that they say or write – any further advice or information I need will come from the press or an IFA” GAR

- 8.21 Investors seeking alternative advice did so most frequently through financial advisers (3 mentions). In all three cases, they had approached the adviser themselves. A number of investors reported being approached by a financial adviser but decided against using them. One or two investors raised the point that advisers may be scared of giving advice about GAR policies in case people try to blame them in the future should any more problems arise.

“Advisers are possibly wary of giving advice as they are afraid of being accused of giving wrong advice and being sued” GAR

- 8.22 One investor mentioned that they had used the EMAG website for advice. Another lady said that she used the advice of a friend who told her to cash in her policy early.

- 8.23 A very small number of investors (2) went to more than one source. In both cases they used the website for general information and spoke to an Equitable Life representative about more specific queries.

- 8.24 One or two investors said that they had sought advice, but the advice that they had been given was to wait until the outcome of the vote before deciding what to do.

- 8.25 Those investors who sought advice and information from Equitable Life had varied levels of satisfaction. Some were happy with the response they received. These included two respondents who sought advice from Equitable Life representatives about topping-up their pension and were advised not to do so.

- 8.26 However, some investors were not happy with their experience with Equitable Life. A small number reported that they had written letters or made a call asking for certain information and these requests had not been answered. One or two said that they had received ‘holding letters’. Another investor who had written to the Managing Director of the old board with a query received an ‘arrogant reply’ and felt that the matter ‘was not taken seriously’. One investor tried to get

information through the helpline service but was unable to get through to an operator.

- 8.27 The most serious problem encountered was an investor who talked to a representative as he was made redundant in his early sixties and was considering taking early retirement. Although the investor was unaware of it at the time, he had a GAR policy and was inappropriately advised to take a draw down pension. He complained to Equitable Life who have acknowledged that he has grounds for a complaint but have not yet advised him how much compensation he is due.
- 8.28 In general, those who sought information or advice from an independent financial adviser thought that it was good.
- 8.29 There were a number of investors who at the time we spoke to them had not sought advice. This was broadly for two reasons:
- Lack of concern about how their policy will be effected by the problems because they have relatively little money invested;
 - Lack of options currently available to them because either they were close to retirement, there was a penalty incurred if they decided to move the pension or they were waiting for the outcome of the vote on the GAR compromise.
- 8.30 Only one investor said that they had not taken any advice because they did not know where to go.
- 8.31 A number of investors said that they intended to seek advice in the future. For instance, one investor said that he will seek advice after the vote on whether he should move his pension or stay put.

“Advice is not needed at present, I formed this view based on what I have read in the press that I’m too near retirement to move the funds. However, I will seek advice after the risk on whether I should still stay with Equitable Life.” GAR

9 Halifax Investors

9.1 The last chapter of the report looks at those investors who held policies that are not with-profits which have now been transferred to Halifax. Essentially we wanted to explore the level of awareness that the transferral had occurred, whether investors understood that their policies were now 'safe' and if they had any remaining concerns.

9.2 All but one investor was aware that their policy had been transferred. Most knew that it was now with the Halifax with around half mentioning this spontaneously. However, 2 investors did not know that they were now Halifax customers and had previously thought other well known financial institutions held their policies.

9.3 A common source of confusion about the transfer to Halifax was that payments were still being made to Equitable Life or there had been no requests to alter standing orders.

"My standing order still goes to Equitable Life"

9.4 There was mixed knowledge about why Equitable Life had been experiencing problems and the issues that arose. Those who were less knowledgeable tended to be less financially sophisticated and not spontaneously aware that they were Halifax customers.

9.5 Those who were aware that Equitable Life had been experiencing problems were generally aware that the problems stemmed from a lack of sufficient funds to honour the GAR commitment.

9.6 In general, Halifax customers were less aware than Equitable Life customers about why the sale had occurred. Only one investor was aware that the sale to Halifax was necessary to raise funds.

"The Halifax brought more liquidity to the fund when they took over from Equitable Life"

9.7 Around a half of the investors recognised that because of the transfer their policy was now 'safe'.

"I'm very happy because I have a scheme which is not with-profits"

9.8 Some investors still had some concerns about their circumstances. These were mainly because they were unsure as to whether the value of their funds had been affected prior to the transfer.

“I think that my policy should be safe with the Halifax – I feel much happier and relieved that is with them and not Equitable Life”

- 9.9 In general, the majority were happy with the level and quality of information received. However, there was a very small number who were more critical, which included the investor who was not aware that he was now a Halifax customer.

“I think that I would have remembered if I had been told. We have received a barrage of letters with information from the Chairman but if someone had sent me an e-mail or even a 3 line letter I would have read it.”

- 9.10 A few said they felt that there was not enough information, the letters were confusing or that they were given contradictory advice.

“I have received obscure letters that I didn’t understand and seen the odd press report. The information was unclear and confusing.”