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Equitable Life: not just a British affair

Parliament's plenary overwhelmingly backed the calls made by its Committee of Inquiry into Equitable Life for the UK government to compensate victims of the company's near-collapse and for wide-ranging changes to be made in the drafting and implementation of EU financial services legislation. Internal Market Commissioner Charlie McCreevy promised that the Commission would respond in due course to the inquiry's recommendations on the points that concerned it.

Today's massive endorsement of the committee's report by the full Parliament (by 602 votes to 13, with 64 abstentions) was welcomed by its author, Diana **WALLIS** (ALDE, UK), who said "I believe this report will assist the victims in a pincer movement with the UK Parliamentary Ombudsman, perhaps finally to deliver compensation. More importantly, I hope it will deliver a huge jolt to our institutions about our lawmaking processes and the European system of justice".

Call for UK government to aid policyholders

Over a million policyholders of the British life assurance company Equitable Life lost money when the company got into financial difficulties. This was primarily due to mismanagement by Equitable. But the EP report argues that, given the British government's "failure to comply" with EU insurance law (notably the UK regulators' failure to ensure that Equitable had sufficient reserves to pay its policyholders), the government should assume responsibility and "devise and implement an appropriate scheme with a view to compensating Equitable Life policyholders within the UK, Ireland, Germany and elsewhere".

Implications for EU financial services legislation

Indeed, this is far from being a purely British affair. Not only were there victims in several EU countries; the case has also brought to light a number of broader, long-term concerns relating to the EU single market in services. The inquiry's findings thus go far beyond the grievances raised in the two petitions to the EP from victims of Equitable Life's difficulties, which prompted Parliament to set up the investigation.

MEPs are particularly keen to stress the need to build consumer confidence in a healthy European pensions and insurance market, especially given demographic trends in Europe. With this in mind, the report makes a raft of proposals on the nature and form of EU financial services legislation, the rights of consumers who buy financial services products in EU countries other than their own, and the role of the EP and the Commission in monitoring the implementation of EU legislation in the Member States. (*See summary of committee's findings - link below*)

MEPs and Commission agree on need to learn lessons

Referring to the consumer rights of policyholders outside the UK who found themselves unable even to apply for compensation when the authorities in different countries tried

to shift the responsibility to each other, rapporteur Diana Wallis said "I think we all understand and appreciate the importance of financial services companies – and indeed other companies – being able to trade and do business across the European Union". But, she added, "if we are going to do this – and it is clear that we are – we have to be absolutely crystal clear who is responsible for what". She underlined a point made in the report, that, in the area of financial services, there can be "no mobility without liability".

On the role of the EU institutions in overseeing the application of EU legislation, she said "Better implementation means a proactive Commission combined with a watchful Parliament".

Mairead **McGUINNESS** (EPP-ED, IE), who chaired the committee, stressed the value of the inquiry in bringing Parliament's work closer to the citizens - and all because of the petitions sent in originally. She also stressed that "the UK was flawed in its implementation of the Third Life Directive. Yes, it ticked the boxes, but its day-to-day application was deficient and inadequate" and that "if the cross-border dimension of consumer protection is not properly taken into account, can we blame consumers in the EU for not shopping more across borders?"

Internal Market Commissioner **McCREEVY** said that the inquiry's work was "a job well done", adding "I am personally pleased that the committee of inquiry went beyond the specifics of the Equitable Life case and took a broader look at how transposition and implementation checks are done more generally." He believed that "All parties received a fair hearing. We have learned important lessons and take this on board for the future."

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