

# Financial Services Authority

From Michael Foot  
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Sir Archy Kirkwood MP  
House of Commons  
London  
SW1A 0AA

18 November 2003

Our Ref: Case No: 031023B LB750

*Dear Sir, Archy,*

Thank you for your letter of 22 October addressed to Carol Sergeant on behalf of your constituent, Mr Graham Milne of Edrington House, Nether Mordington, Berwick upon Tweed, TD15 1UF.

Mr Milne has asked by what standard the FSA deemed the disclosure to policyholders of the contingent GAR liability to be adequate.

It may be helpful if I first set out the FSA's role. The main regulatory objectives of the FSA are:

- to maintain market confidence;
- to promote public understanding of the financial system;
- to secure the right amount of protection for consumers; and
- to reduce financial crime.

We bear these in mind in our ongoing supervision of financial institutions, and we considered these objectives when looking at the demutualisation documentation for Scottish Widows, even though the Financial Services & Markets Act 2000 did not formally come into effect until 30 November 2001. The view we reached was that the prospectus generally made clear that there was a potential contingency on the Additional Account for GAR liabilities in respect of the outcome of the Equitable case, which was pending at the time. This

documentation had been prepared with and was subject to full independent legal and actuarial scrutiny, and was submitted to and approved by the courts.

As set out in Carol's letter of 29 September 2003, we have concluded that Mr Milne's concerns do not give us cause to reopen this matter. If Mr Milne becomes aware of other relevant information, he should forward it to us and we will be happy to consider it.

yours

Richard Fink

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