

Pensions Action Group

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Professor Steve Webb M.P.
Minister of State (Pensions)
Department of Works and Pensions
Caxton House
Tothill Street
London
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Dear Steve,

FINANCIAL ASSISTANCE SCHEME CONSULTATION RESPONSE

Dear Minister,

On behalf of the PAG we refer to the Government's response to the consultation on The Financial Assistance Scheme (Revaluation and Indexation Amendments) Regulations 2011.

Firstly we were not happy that the regulations were published before the full consultation response.

Apart from that we are left once again with the feeling that the Government like the last Government is merely going through the motions without any intention of listening to anything substantial that is suggested.

You state in paragraph 52 that the Government thinks FAS is a good outcome for the people covered by FAS. As this latest move to change from RPI to CPI makes FAS worse are we now to understand that you think that Labour had been too generous with us?

You even agree in the report that there was a consensus that the change to CPI would leave pensioners worse off.

You also state that the Government thinks CPI is more appropriate for retirees. We might agree with that if we had not paid for RPI

We also strongly disagree with your rebuttal of our point that people have a legitimate expectation of RPI

We do not find the report's arguments for the adoption of this change sufficiently compelling to justify it to our group.

As we said originally once the government has decided to make redress for maladministration in a particular way, it is quite wrong for it to reverse that decision to the detriment of its victims

In fact we are quite shocked at how dismissive you are regarding the non implementation of the Ombudsman's report. You say that

"The Government believes that the FAS provides an appropriate response to the Ombudsman's report."

When you can arbitrarily reduce the already inadequate compensation in FAS what confidence can we have that you won't decide in the future that a further reduction would be appropriate?

After all it would only be just another broken Government promise.

You also state that

"The issues raised by the Ombudsman were considered by High Court and the Court of Appeal. The latter agreed with the Government that the maladministration identified by the Ombudsman could not be assumed to be a significant contributory cause of all the financial losses of all affected members. Neither the High Court nor the Court of Appeal made any compensation order"

Clearly this has been written by someone who is not familiar with all the facts or has chosen not to mention that three people who had lost their pensions had to risk everything in court to ask for a judicial review of the Government's decision to reject the Ombudsman's findings and in fact it was only a result of that case that caused the Government to improve FAS. It is quite fatuous to say the court never awarded a compensation order because that was not ever a possibility.

We would also remind you that the promise of RPI was taken into account by scheme members in deciding not to pursue the second judicial review (Parr and others); it was also taken into account by the Ombudsman in her consideration of whether FAS, as amended, represented an adequate remedy in relation to her principal recommendation for redress.

You have also ignored our comments regarding the European Court of Justice which said compensation should be not less than 50%

Indexation is a real issue that every forecaster worth his salt is predicting will go much higher than the Government's target of 2%. This is not an issue that will go away and if you insist on making the change you must take other measures to protect those covered by FAS

To this I should add that you have not given a valid reason concerning our comments about the unfairness of not paying FAS to people prior to May 2004 which had nothing to do with peoples rights to pensions and did no more than reflect the reluctance of the previous Government to recognise their failing and provide compensation .When raised with a previous Pensions Minister DWP officials confirmed a solution whilst difficult was not impossible

In fact you seem to imply on several occasions that because our pension plans were underfunded we really should just be grateful for what we have, forgetting completely that it was the previous Government's incompetence which led to the underfunding and Government misinformation that

caused us to believe it when it told us our savings were safe and guaranteed. (Not just our opinion but also that of the Ombudsman).

Maybe someone should remind the Government when it is telling us about the terrible state of the nation's finances that the public sector pensions are also underfunded, if not completely unfunded and yet it is determined to protect public sector pension benefits earned to date. In a private company this state of affairs would lead to the employees losing their pensions and receiving FAS or PPF benefits (depending on what date was chosen for its implementation)

We are not advocating that civil servants should lose what they were promised but we are aware that we will be paying for these retirement benefits from our reduced pensions.

The Government has also allowed current schemes which had RPI enshrined in their rules to not change to CPI. Many of our schemes had RPI included in their rules too

The term kicking someone when he is down suddenly comes to mind.

It is also ironic that at the same time as the Government seems to be high handedly penny pinching from the pensioners Lord Mc Fall's WRIC has set itself the following goals:

- Find ways to provide retirement saving through the workplace that optimize opportunity, efficiency and adequacy
- Improve employee confidence in workplace retirement saving
- Consider the role of education and information in increasing employees and employers engagement in retirement saving
- Encourage employers to provide good quality workplace savings vehicles; and
- Develop a consensus around the central role of workplace retirement savings

You stated that the main purpose of this consultation was to improve ways of implementing the change but we sincerely hope that you will take to heart our comments and try to find a way to repair the damage caused to our group by Government incompetence.

Yours sincerely

The Pensions Action Group

Peter Humphrey, Kenneth Molloy Terry Monk, Richard Nicholl, Peter Laspinkas

Please support the Pensions Action Group Campaign for full compensation for people who have lost all or part of their pension due to Government mistakes. For details go to <http://www.pensionstheft.org>