

PRESS RELEASE

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FSA must do more to ensure Treating Customers Fairly for reattribution of inherited estates says Consumer Panel

The FSA has today published a letter to Norwich Union and the Policyholder Advocate about the proposed reattribution of the Norwich Union Life Fund. The reattribution will decide how much money will be paid to policyholders for giving up future rights. Billions of pounds are at stake.

The Policyholder advocate has questioned the basis of the calculation of how much may be due to policyholders and challenged some of the expenses charged to the fund. In our recent research into with profits funds we also challenged the sums that can be deducted from the fund as expenses.

We are pleased that in today's letter, the FSA has stated that it will consult early in 2008 on whether mis-selling costs should be paid from the fund, and we will express our strong view that the shareholders, not policyholders, should fund any mis-selling costs.

We remain critical that other expenses such as the expenses of financing new business and some shareholder tax can be deducted from the fund, although we are pleased that the FSA proposes greater scrutiny of these deductions. The FSA has acknowledged that a firm could set a high risk appetite requiring capital to be set aside to cover this and then after the reattribution adopt a low risk appetite and pass the excess capital to shareholders, thus circumventing the reattribution. The FSA says it expects firms to limit post reattribution distribution to shareholders and we look forward to seeing how this can be achieved.

John Howard, Chairman of the Financial Services Consumer Panel said:

