

[HOME](#) | [BLOG](#) | [ARTICLES](#) | [BIOGRAPHY](#) | [MEDIA TRAINING](#) | [TESTIMONIALS](#) | [AWARDS](#) | [CONTACT](#)

« [Darkest hour for the men on the Mound](#)  
[Fears grow that deal will erode Scottish control](#) »

## EXCLUSIVE - Pensions crisis to force Widows merger

By Ian Fraser

Sunday Herald

June 20th, 1999

SCOTTISH WIDOWS is tomorrow expected to make a major announcement about its future status as a mutual company.

Following an emergency meeting of executive directors early tomorrow, the Edinburgh-based life operation is expected to announce a major deal to take the company forward - either through an acquisition of the company or a merger.

Lloyds TSB is the most likely candidate to mount a £5 billion takeover bid for Scottish Widows.



With a market value of £46.6 billion the English clearer has the necessary war-chest and is eager to do a deal.

However, the Royal Bank of Scotland, which already has close relations with the life company, may step in as a white knight. The Royal Bank already has joint ventures with Scottish Widows through Royal Scottish Assurance and Direct Line. Furthermore, Scottish Widows owns 4.95% of the Royal Bank.

But a Royal Bank spokeswoman said: "We have no plans to change the current nature of that relationship."

A senior source within Scottish Widows poured cold water on a tie-up with Royal Bank, saying: "We are not as close the Royal Bank of Scotland as some might think."

Last month the Edinburgh-based life company confirmed that it had appointed Morgan Stanley and was examining a change of status. This followed remarks by Scottish Widows' chairman Lawrence Urquhart at the annual general meeting which implied that the mutual was intending to convert to a public limited company.

David Nisbet, analyst at Deutsche Bank, said: "There has been a lot of interest in UK life companies, especially ones with a strong brand name."

In the City, demutualisation followed by an immediate takeover is seen as a response to the "annuities crisis" that could dog Scottish Widows in coming months. Observers believe this will be as severe as the pensions mis-selling scandal which cost Prudential £1.1 billion in compensation.

The annuities crisis stems from the 1970s and 1980s, when many life companies sold pension schemes with guaranteed annuities. Since then, interest rates have fallen, leaving the life companies in a Catch-22 situation.

Either they incense many investors by dishonouring their pledges or face a liquidity crisis. Equitable Life revealed on Friday that it has set aside a £1.5 billion "special reserve" to meet its liabilities.

But if Equitable loses a court case scheduled for July 5, inadequate free reserves will almost certainly force it into the arms of a buyer.

Scottish Widows, which is facing legal action from 50 investors later this year, could meet a similar fate. To pre-empt such a sequence of events, the life company may prefer to commence the process of demutualisation, windfall pay-out to policyholders and agreed takeover now.

“It seems that Scottish Widows’ annuities problems are much worse than previously imagined,” said one veteran City observer. “This is probably what lies behind their need to go public.”

Another possibility is that Widows is poised to announce the acquisition of a fund management group.

The ambition of Orié Dudley, chief executive of Scottish Widows Investment Management, is to boost funds under management to £100 billion within three years, and this would necessitate such a takeover.

However, fund management groups in the UK are commanding massive premiums at the moment, so the chances are that SWIM’s preference would be for an acquisition in Mr Dudley’s native US.

Copyright SMG Sunday Newspapers Ltd. 1999

This entry was posted on Sunday, June 20th, 1999 at 12:02 am and is filed under [Article Library](#), [Investigations](#). You can follow any responses to this entry through the [RSS 2.0](#) feed. You can [leave a response](#), or [trackback](#) from your own site.

## One Response to “EXCLUSIVE - Pensions crisis to force Widows merger”

1. [Dave So](#) Says:  
[March 3rd, 2009 at 6:53 pm](#)

What do I think to the Royal bank of scotland? RBS boss Fred goodwin should be stripped of his pension. If they pay him a profit related percentage he will get minus figures. Taking away his pension is the best option.

### Leave a Reply

Name (required)

Mail (will not be published) (required)

Website

---

Please remember that the submission of any material to ianfraser.org is governed by our [Terms and Conditions](#) and by submitting material you confirm your agreement to these Terms and Conditions.

T: +44 (0)1875 823600 | M: +44 (0)7803 970393 | E: [ian@ianfraser.org](mailto:ian@ianfraser.org)

© Copyright Ian Fraser 2007. No reproduction without permission.

[Terms and Conditions](#) | [Privacy Policy](#)



Website designed and built by Stream Media