

The complaint

Mr K has complained that Scottish Widows Limited trading as Clerical Medical made changes to his pension (switching funds and increasing contributions) that he only wanted an illustration for.

Mr K would like to be put back into the position he would have been in if this had not happened. He would also like the business to demonstrate that he has not suffered a financial loss as a result of the error.

What happened

Mr K, via his IFA, requested an illustration on 23 December 2020 showing a change of fund mix in his pension and an increase to his monthly contributions (from £400 net to £1,000 net).

His IFA chased the illustration throughout January 2021. On 16 February the request for an illustration was interpreted by Scottish Widows as an instruction to transact and acted it was upon. Correspondence was sent to Mr K and his IFA showing that the funds had been switched. By late February, Scottish Widows had recognised the error. In March they told Mr K's IFA that they had switched funds and increased contributions in error, leading to the initiation of the formal complaint. Two days later Mr K noted that his contributions had been increased to £2,200, which was taken under his direct debit mandate twice. He expressed his dissatisfaction and shock and wanted things returned to how they were before, with no fund switch and no increase to his contributions. Mr K cancelled his direct debit at this time as he was concerned about further incorrect payments being taken from his account.

There were some conflicting communications from Scottish Widows. For example, on 1 April they said that contributions had been stopped; then on 12 April that contributions had been reduced from £1,000 a month to £500. Next, having already said on 29 April that they would reverse the fund switch, on 19 May Scottish Widows said they had not been able to carry it out in the first place.

In May Mr K brought his complaint to this service. He subsequently received a final response from Scottish Widows fully upholding the complaint. The business acknowledged their error in misinterpreting the request for an illustration as an instruction. They apologised and offered to ensure that Mr K had suffered no financial loss by backdating the transactions. They also offered him £600 for the difficulty in resolving the matter, which included £100 for not responding in a timely manner.

While this letter contained some policy valuations at various dates, there was not enough detail for Mr K and his IFA to be sure that there had been no financial loss.

In November, Mr K confirmed to this service that he broadly agreed with the offer from Scottish Widows.

In January 2022 Scottish Widows issued a revised response to clarify that the fund switch had in fact happened and had subsequently been reversed. They repeated the offer of £600

for the trouble caused and also to effectively backdate the missed contributions so that it would be as if they had been paid when originally expected, ensuring there would be no financial loss.

Our investigator thought that this was a fair offer in the circumstances and issued an opinion to that effect in February 2022. Mr K said that he was happy he would be put back into the position he would have been in if not for the error and accepted the investigator's opinion. But he also wanted to see the underlying transaction details so he could tell for himself that he had not been disadvantaged.

A month later Mr K got back in touch to let us know that he had received his £600. And he explained that on 6 April he had made a payment of £4,800 for the missed contributions. But he had not heard anything from Scottish Widows on the backdating of these contributions or the transaction information that would show there had been no financial loss. Nor had Scottish Widows provided new Direct Debit information for Mr K to reinstate his regular contributions.

In April Scottish Widows told Mr K that they were unable to offer a timescale of when they might be able to complete the other elements of what they had agreed to do. Our investigator then gave the business a final chance to resolve things before referring the complaint to me.

Since then a Direct Debit arrangement has been put in place for regular contributions to be reinstated. Both the backdating of the £4,800 net contribution, and a full explanation of the transactions to confirm that there has been no financial loss, remain outstanding.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

First of all, I think it is important to say that there is no substantial dispute over the facts of the case. I would also like to acknowledge that Scottish Widows accepted responsibility and has offered to put things right. That they have been unable to do so for so long is clearly a source of frustration for Mr K, but because the transactions will be backdated, this will not cause Mr K any additional financial loss. Nevertheless, the matter should have been resolved long before now.

The first element of Scottish Widows' offer was a payment of £600 for the trouble caused throughout, including £100 for the delay in responding. I think this is a fair reflection of the trouble caused and is in line with what this service would recommend if the business had made no offer.

Secondly, the fund switch that was carried out in error has already been reversed so there has been no loss in this regard. Mr K made a lump sum payment of the contributions that were missed. Scottish Widows offered to carry out a calculation to see whether there was any financial loss caused by these contributions not being made when they should have been. I agree that this is a fair way to resolve this issue.

Given the history and sometimes conflicting information, I can understand why Mr K wants to see the detail of Scottish Widows' calculations to see that he has not lost out. So I think that this is an important element of their offer to put things right and will help Mr K to have the confidence that he has not been disadvantaged. On 22 May Scottish Widows undertook to provide a transaction history for the previous 18 months which should satisfy this requirement.

So, in summary, I agree with our investigator that Scottish Widows' offer was fair and reasonable.

Putting things right

Since I think their offer was fair and reasonable I am not going to require Scottish Widows to do anything substantially more than they have already offered to do. I accept that some of these steps may already have been taken, but for the sake of clarity and completeness, the full steps are as follows:

- Reverse the fund switch carried out in February 2021 so that it would be as if it never happened and ensure there is no loss to Mr K's pension as a result of the switch.
- Allow Mr K to make up the contributions that were missed while the issue was being resolved and carry out a calculation to see whether the delay in making these contributions has caused any financial loss. Where there was a loss, Scottish Widows should adjust Mr K's policy to make good that loss. As well as making good any loss Scottish Widows must also add interest to the loss at 8% a year simple from the date of my final decision to the date of settlement. Scottish Widows must also provide Mr K with a copy of their calculation.
- Provide Mr K with a transaction history to cover the whole period to ensure that Mr K and his IFA have enough information to be able to determine for themselves that there has been no financial loss, or that any loss has been made good.

My final decision

I am upholding Mr K's complaint against Scottish Widows Limited trading as Clerical Medical and I require the business to take the steps outlined in the putting things right section.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr K to accept or reject my decision before 11 November 2022.

Martin Catherwood
Ombudsman