

The complaint

Mr S complains Scottish Widows Limited unreasonably delayed the process when he claimed his pension under early ill health provision, which led to him receiving less tax-free cash than he expected.

What happened

Mr S, who was 53 at the relevant time, had a personal pension policy with Scottish Widows Limited.

Unfortunately Mr S was involved in an accident and sustained severe injuries, which meant he was unable to work. So in July 2021 he asked Scottish Widows about releasing a tax-free lump sum from his pension under Early Ill Health (“EIH”) provision, which would enable him to access his pension prior to the minimum age of 55.

Scottish Widows sent out the form for completion by Mr S and his doctor, to confirm his eligibility for EIH. On 1 August 2021 Mr S was sent an options pack which included a policy valuation of just over £80,085, based on retirement at age 55 in 2023. The form was returned by Mr S’s GP in early September 2021, which then had to be assessed by Scottish Widows underwriters to determine if he was eligible for EIH. Once the claim for EIH was accepted, Mr S needed to complete the “*customer retirement journey*” process to decide how to take his benefits, which is usually conducted in two telephone appointments.

Mr S was unhappy at how long what he thought would be a straightforward process was taking. He called Scottish Widows multiple times to chase progress or query what was happening. In some of these calls Mr S took out his frustration on Scottish Widows’ staff, to the point of rudeness which caused distress, and he raised several complaints about the service. To minimise telephone contact, Scottish Widows adopted the manual process and sent the options pack to Mr S to complete and return, but nothing could happen until his signed instructions were received. But Mr S found the forms confusing and didn’t understand why Scottish Widows wouldn’t accept his instructions by email or phone. Eventually a complaint handler decided to revert to the telephone process and conducted the initial phone call on 28 September. The follow-up appointment took place on 5 October 2021, after which the policy was put into drawdown to enable the TFC sum to be released.

But by then the policy had fallen in value to £76,095, reducing the amount of TFC Mr S received. Mr S complained as he holds Scottish Widows responsible for his loss, which he said could’ve been avoided if Scottish Widows had acted more quickly.

Scottish Widows didn’t uphold the complaint. It said the forms had at least twice been sent to Mr S’s correct address, the value of his plan wasn’t guaranteed, it hadn’t deliberately delayed the process, which was completed within a reasonable timescale, and Mr S’s communication with its staff had been unacceptable.

In October 2021 Mr S referred his complaint to this service, saying Scottish Widows should honour the higher valuation. One of our investigators looked into the complaint and upheld it. He said Scottish Widows wasn’t responsible for any delays prior to 6 September, when the

information was received from Mr S's doctor. But as Scottish Widows had completed the telephone process on 5 October, he thought it could've done that sooner. So he said Scottish Widows should compare the value of Mr S's policy on 5 October with that on 20 September, the date he suggested the process could have concluded. And if this showed a loss to pay that to Mr S with interest. And in addition he recommended Scottish Widows pay Mr S £250 for the inconvenience he'd experienced.

Scottish Widows agreed to carry out the comparison, but found the policy had a lower value on 20 September, so the delay to 5 October hadn't caused Mr S a financial loss. And it wasn't happy to pay compensation, due to Mr S's manner during calls. But to settle the complaint it sent Mr S a cheque for £250.

Mr S originally accepted the outcome but didn't accept the redress calculation showed no loss. He thinks Scottish Widows should honour the August 2021 valuation, which is higher.

So the case has come to me for review.

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.

I'm sorry to hear of the difficult situation Mr S finds himself in after a serious, life-changing accident. And the financial impact of being forced to stop work several years earlier than he likely intended.

Scottish Widows defines EIH as "*A customer who is no longer able to work due to ill health and is not yet 55*". The process involved two steps. First Mr S (and his doctor), had to provide evidence to demonstrate his eligibility for EIH. And once that had been agreed, he had to complete the "retirement journey" process, to indicate how he wished to take his benefits. I appreciate once Mr S found he could access his pension under the EIH procedure, he'd want it to be completed as quickly as possible.

Scottish Widows sent the EIH forms out promptly on 7 July 2021, but the completed medical section wasn't received back from Mr S's GP until 6 September, despite Scottish Widows chasing the surgery on a number of occasions. I also understand, exceptionally Scottish Widows paid the GP's fee for completing the form, as Mr S was unhappy at being charged. The completed forms were submitted to Scottish Widows underwriting team on 8 September 2021, and its process guide states it can take up to 10 working days to be picked up. It's not clear from the timeline of events when the claim was agreed by the underwriters. But like our investigator, I don't think Scottish Widows delayed the process to this point.

I think Mr S was under the impression that once Scottish Widows had accepted his claim for EIH, he'd just receive the money, as he'd said from the outset he didn't need an income from his pension, he just needed the 25% TFC to alleviate his financial situation. But once eligibility was confirmed, Mr S was told he couldn't simply withdraw the TFC, his policy would be transferred to a retirement account, and he'd then have to decide how to access his benefits. A pension's purpose is to provide an income throughout retirement, so the decision is a serious one. Scottish Widows has a regulatory obligation to explain to Mr S his options and the benefits and risks of each one, to enable him to make an informed choice.

Scottish Widows' "*Retirement Journey Framework*" would usually be conducted in two phone calls with an appropriately trained member of staff. But because calls were proving difficult, Scottish Widows sent the retirement pack and supporting literature (an illustration showing

his TFC entitlement, Flexi-Access Drawdown Request, an investment guide and “*Your Quick Guide to Pensions and Investments*”) by post, so he could read the information and complete the paperwork at his own pace. The manual process is used for customers who can’t use (for example due to hearing impairment), or who refuse to engage with the “Retirement Hub” process.

Mr S found the paperwork confusing and as he’d said he wanted to take TFC, he thought Scottish Widows should just send him one form to complete or accept his instructions by email. But Scottish Widows said it was obliged to provide all his options, but Mr S just needed to sign and return the form for the one he wanted. While Mr F was frustrated at the lack of progress, Scottish Widows was unable to proceed without his signed instructions.

I can see Scottish Widows sent out the retirement pack on 8 September 2021 to Mr S’s correct address, and he was told to expect it by the end of the week. When it didn’t arrive by 10 September, Mr S called and was told it was in the post. Due to the personal information they contain, retirement packs can’t be emailed, unless in encrypted format, which Mr S couldn’t access. And he didn’t want to use the Retirement Hub, so he was told to wait for the forms. From the call notes and recordings, it’s clear the calls (41 in total), were often difficult to handle. Mr S was frustrated by the cost of long waiting times, being unable to speak to the right person, and he sometimes got through to the wrong department (Scottish Widows is part of a wider banking group with many products and brands), which meant those areas weren’t able to help him. He raised several complaints about the service he received.

Finally on 28 September 2021, a complaint handler took ownership of the situation, called Mr S, and successfully conducted the first stage of the retirement journey process, which involved asking him a number of structured questions. The second call took place on 5 October, which was the date used to calculate the value of Mr S’s policy, which was just over £76,095. I’ve seen nothing to suggest Scottish Widows is responsible for the forms not reaching Mr S when they were posted, as they were sent first class to the correct address. And I’m mindful he received the 1 August 2021 pack which was sent to the same address. But while I understand Scottish Widows reluctance to engage with Mr S by phone, a complaint handler was able to carry out the first call with Mr S on 28 September 2021. So I think the retirement journey process could’ve been instigated on 13 September, when Mr S called to explain the forms sent the previous week hadn’t arrived and emailing them wasn’t a workable alternative. I don’t think Mr S should’ve needed to raise multiple complaints for Scottish Widows to identify a solution, given it had already acknowledged his vulnerability. It’s reasonable to say the second call would be a week later, so I agree with the investigator, the process could’ve concluded on 20 September 2021.

Had this happened, although Mr S would’ve received his funds two weeks earlier, he wouldn’t be better off. Scottish Widows followed the investigator’s instructions and compared the value of Mr S’s policy on 5 October (£76,095) with what it would’ve been worth on 20 September 2021 (£71,382), so the difference of around £4,713 would’ve meant Mr S receiving around £1,178 less in TFC. I appreciate Mr S was expecting the final figure to be in line with the 1 August policy valuation of just over £80,085, which was an illustration and not guaranteed, although the copy letter I’ve seen doesn’t explicitly say this. Such warnings were included in the illustrations sent out on 8 and 23 September which Mr S didn’t receive. But Mr S has been told policy values can fluctuate, and also that it wasn’t possible to ensure the calculation was done when the policy exceeded £80,000. Mr S may have experienced a loss of expectation, but I’m satisfied no matter how quickly the process concluded, he wouldn’t have been entitled to the 1 August valuation, as Scottish Widows didn’t receive the medical information to confirm eligibility for EIH until 6 September. I’m satisfied the calculations provided by Scottish Widows show the value of Mr S’s policy was lower on 20 September, so the delay until 5 October 2021 didn’t cause him a financial loss.

So I just need to consider whether the compensation the investigator recommended is fair for the customer service Mr S received. I'm aware Scottish Widows recognised Mr S was a vulnerable consumer due to his health and financial situation. And it did try and offer support and solutions, such as paying the GP's fee, offering a manager (Ms C) as a named point of contact, using email to communicate non-sensitive information, and permitting him to email a photo of the signed document if putting things in the post was difficult. But although Scottish Widows was aware of Mr S's circumstances and what he wanted to do, it was constrained by its regulatory requirements that once EIH had been agreed, he still needed to go through the retirement journey process or sign and return the form.

Having listened to some recordings and read the notes, it's clear the calls were often difficult to handle, and some would've upset the staff concerned. Mr S found navigating the whole process frustrating, confusing and overwhelming. He mentioned at various points being unwell, disabled, stressed and finding things tough financially, but his comments were largely unacknowledged. He was understandably frustrated at repeating himself despite the extensive system notes, being asked for his policy number which he'd already input into the keypad, and when he commented on the significant cost of lengthy wait times when calling from a mobile, the staff simply offered to raise a complaint about this. His manner was at times discourteous and impatient, and while I generally don't think call handlers should endure such behaviour, I think allowances should be made for Mr S's circumstances. And his comments were often around how complex and unsympathetic the process felt at such a challenging time. So while he may not have been easy to deal with, I think it's fair for Scottish Widows to pay Mr S £250, to acknowledge the process could've been smoother, even though the delay didn't result in a financial loss.

My final decision

I uphold this complaint. But I'm satisfied the actions of Scottish Widows Limited didn't cause Mr S a financial loss. I understand Scottish Widows has already paid Mr S £250, which I think is reasonable to settle the complaint, so it doesn't need to do anything further.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr S to accept or reject my decision before 22 February 2023.

Sarah Milne
Ombudsman