

## **The complaint**

Miss G brought a complaint to this service when she didn't obtain satisfaction from Scottish Friendly Assurance Society Limited after she became concerned that unexpected deductions were being made from her investment.

To put things right, Miss G wants Scottish Friendly to pay her more financial compensation than it has so far offered in relation to its admitted shortcomings in service.

## **What happened**

In August 2022, Miss G invested in a Scottish Friendly stocks and shares ISA.

Over the next couple of months, amongst other things, she was concerned to see information suggesting that when she made monthly deposits of £1,000, Scottish Friendly had made withdrawals of £100 on each occasion.

When Miss G complained about this to Scottish Friendly, it partly upheld her complaint. Scottish Friendly agreed that when Miss G had phoned to find out what was happening, its call handler had failed to fully explain how the policy operated. Scottish Friendly made a £50 payment to Miss G in acknowledgement of the inconvenience this had caused her. When this didn't resolve the complaint, Scottish Friendly offered Miss G a further £50 payment.

Miss G didn't feel Scottish Friendly had done enough and she brought her complaint to us.

When our investigator looked into Miss G's complaint, she felt that an amount of £300 in total was fair compensation for the trouble and upset Miss G had been caused as a result of shortcomings in the service Scottish Friendly had provided.

Miss G would like to see her complaint settled in the way proposed by the investigator. Scottish Friendly has disagreed and said this amount of compensation is excessive for the faults which have occurred in this instance. As the complaint hasn't been resolved informally, it comes to me for a final decision.

## 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've looked at the complaint afresh and having thought about everything I've seen and been told, I've independently reached the same conclusions as our investigator. I'll explain my reasons.

The background facts summarised above are not in dispute. Scottish Friendly has apologised that it '*misinformed*' Miss G during a phone call she made in October 2022. I've carefully listened to that call recording. Scottish Friendly told Miss G: '*...the reason why (your investment is) showing a £300 loss is because there's a Market Value Reduction (MVR) at the moment on investments....*'.

But, crucially, the adviser didn't make clear to Miss G that her investment would not be subject to this deduction unless and until she cashed out. It wasn't until some months later, in March 2023, that a different call handler provided clarity on this issue and Miss G understood that no withdrawals had in fact been made and the full amount of her monthly deposits had been applied to her investment.

She was concerned however that she'd been told contradictory information and she asked during that call to put in a data subject access request for the phone calls she'd had with Scottish Friendly in case they became unavailable. She was still awaiting this information when she brought her complaint to us.

So the crux of the matter now seems to me to be the issue of redress for what's happened. I need to consider how service failings on the part of Scottish Friendly impacted on Miss G and what amount would be fair compensation. This is the focus of my decision.

I agree, and Scottish Friendly has already acknowledged, that Miss G was entitled to expect a better level of service than she experienced. I've taken into account that the MVR was mentioned in the paperwork that Miss G saw when she opened the policy. But I don't think it's reasonable to expect that on reading this, she would have appreciated that this could mean Scottish Friendly would send her information showing a reduced value for her investment, even though the full sum was still invested. So I can understand why Miss G was confused.

When she spoke to Scottish Friendly in October 2022, the call handler failed to clarify that the value Miss G was relying on reflected the amount she would receive only if she withdrew from the fund at that time – not the amount she had actually invested. As a result, Miss G continued to believe that she was incurring what she referred to as '*a 10% tax*' each time she invested and she remained very concerned that the money had been taken from her account and she'd lost it.

I can completely understand that what happened was very upsetting and frustrating for Miss G. In October 2022 she had told the adviser on the phone that: - '*...losing £300 is a massive, massive hole in my pocket*'. She told Scottish Friendly during the March phone call that, for her: '*...£1,000 a month is a lot of money.*'

I'm mindful that she was also investing in a help to buy ISA and she had invested in the Scottish Friendly ISA in the first place primarily to take advantage of a cash incentive opportunity. When she first contacted Scottish Friendly it was with a view to moving her investment to the lowest risk level. A large part of her discussions with Scottish Friendly focussed on the various charges she was liable to pay and her anxiety about the costs she was facing.

So I think it was a real blow to Miss G when she thought that she was losing 10% of her investment each time she paid in to the policy. And this was aggravated by the fact that Scottish Friendly didn't correct this misunderstanding at the first available opportunity when Miss G phoned in October 2022. Instead, Miss G was encouraged in her mistaken belief that she had lost money. This avoidable failing and the delay that followed on the part of Scottish Friendly, including keeping Miss G waiting for the information she asked Scottish Friendly to provide during her March 2023 phone call, all prolonged Miss G's anxiety unnecessarily.

I think that's borne out by what Miss G told us when she brought her complaint to us saying: *'I understand that investment platforms can get stressful, especially during an economic crisis. But I can safely say that none of the distress I have been subjected to was down to the performance of the fund. It was entirely down to the staff at Scottish Friendly and Scottish Friendly's practices. My worrying about the plan and heated/emotional phone calls and emails have subsequently driven a rift between myself and my long term partner ...I have suffered with depression and anxiety ... but ... managed to turn my life around.... However (everything that's happened) pushed me 10 steps backwards...'*

Fair compensation needs to properly reflect the impact on Miss G of Scottish Friendly's service failings. I haven't identified any monetary loss. But thinking about non-financial loss, the additional redress suggested by the investigator matches the level of award I would make in these circumstances had it not already been proposed. I don't doubt that Scottish Friendly's poor handling of matters, as described above, caused Miss G significant distress and inconvenience – and it took several months to correct her misunderstanding of the situation, adding to her overall distress. I am satisfied that a total payment of £300 is in line with the amount this service would award in similar cases and it is fair compensation for Miss G in her particular circumstances.

I appreciate that Scottish Friendly feels that this amount is excessive. But for the reasons I have set out more fully above, and thinking about her state of mind and how what happened affected Miss G, noting that:

- she was evidently anxious throughout about the '*withdrawals*' from her investment, to the extent that she subsequently stopped the direct debit payments into her stocks and shares ISA to limit the risk of further '*withdrawals*'
- as long ago as the 1 March call, she told the adviser she was only trying to recover the £100 payments she had lost and then she would be '*out of here*'
- several months went by before Scottish Friendly explained things in a way that was understandable for Miss G – leaving her feeling upset and angry to learn that she'd been misinformed and caused needless worry.

Despite what Scottish Friendly has said, in Miss G's particular circumstances, I am satisfied that a further payment of £200, in addition to the £100 Scottish Friendly offered, is fair and reasonable to reflect the impact and extent of the admitted shortcomings in the service provided by Scottish Friendly on this occasion.

**Putting things right**

To put things right for Miss G, if it hasn't already done so, Scottish Friendly should make a further payment to Miss G bringing total compensation paid to £300.

(Note that Miss G told us she had only received £50 so far.)

**My final decision**

I uphold this complaint and direct Scottish Friendly Assurance Society Limited to take the steps set out above to put things right for Miss G.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss G to accept or reject my decision before 13 February 2024.

Susan Webb  
**Ombudsman**