

The complaint

Mr R complained Scottish Friendly Assurance Society Limited (Scottish Friendly) delayed him taking his pension annuity. He would like Scottish Friendly to set up his annuity and compensate him for any financial loss he has suffered.

What happened

I issued my Provisional decision in September 2023, the relevant parts of which are reproduced below and forms part of my decision:

Mr R says he initially called Scottish Friendly on 16 May 2022 to discuss the retirement options on his pension plan, as his retirement date was approaching. Scottish Friendly says it has no record of this call, or any other contact from Mr R until 30 June 2022. As a result of this later call, Scottish Friendly undertook to send Mr R documentation relating to the first stage of the four stage process it goes through when processing a policyholder's retirement.

When Mr R did not receive these documents by 14 July 2022, he emailed Scottish Friendly to ask them to send them to him. Scottish Friendly subsequently sent these documents to Mr R on 16 July, and he completed and returned them on 22 July 2022.

When he did not receive a reply from Scottish Friendly, Mr R contacted it on a number of occasions to chase up the next stage of the process.

Scottish Friendly then sent Mr R the second stage of pension journey documents on 16 August 2022. This included a pension advice form and risk questionnaire for Mr R to complete.

Mr R complained to Scottish Friendly on 18 August 2022 as he was unhappy with the slow progress of the overall retirement process and his perception of the poor level of service he was receiving from Scottish Friendly.

Mr R completed and returned the second stage of pension journey documents to Scottish Friendly on 15 September 2022. On processing the documents, Scottish Friendly noticed some conflicting information, so it reissued the pension advice form to him on 4 October 2022.

Following receipt of an updated form from Mr R, Scottish Friendly sent him the stage three documentation on 19 October 2022. This included a pension access form and request for information related to his proof of identity. Mr R completed and returned the third stage of pension journey documents with this information on 29 November 2022.

On reviewing the information Mr R had provided, Scottish Friendly wrote to him on 5 December 2022 advising him he might be able to obtain an enhanced annuity. They asked him to complete a health questionnaire. Mr R contends that he returned this documentation in January 2023, but Scottish Friendly's records show that it received this on 8 March 2023. Scottish Friendly then provided Mr R with an enhanced lifetime annuity quote and Open Market Option application form on 16 March 2022.

During October, Scottish Friendly also investigated Mr R's complaint. As a result of its investigation, Scottish Friendly upheld Mr R's complaint. It sent him a letter and an offer of £100 compensation for the poor service he had received.

Mr R was not satisfied with this response and so brought his complaint to this service.

Our investigator reviewed the evidence in this case and recommended that as a result of the delays Scottish Friendly had introduced to the process, the annuity rate quoted to Mr R should be backdated 15 working days to what it would have been on 23 February 2023, with Scottish Friendly responsible for ensuring he had suffered no financial loss as a result. The investigator also recommended that the compensation to Mr R be increased to £250 in respect of the distress and inconvenience Scottish Friendly's poor level of service had caused him.

Scottish Friendly agreed to increase the compensation level in respect of Mr R's distress and inconvenience, but felt it was unfair that the annuity quote be backdated in this way, as it felt that Mr R had also contributed to the delays.

Mr R contacted Scottish Friendly on 19 July 2023, requesting that it reissue the stage one journey documents to him, so he could assess his options. These were issued to him on 26 July 2023, but he had not responded to these by the date of this decision.

The case was then passed to me to make a final decision.

Our investigator contacted Mr R who confirmed that he had not completed and returned the documents Scottish Friendly sent him in March by the date of this decision. Consequently, he had not yet received any annuity payments and continued to work.

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.

In my provisional decision, I stated:

"I intend to uphold Mr R's complaint.

I have, however, reached a different conclusion in terms of what I think is fair and reasonable in terms of putting things right, so I think it is fair to explain that to both Mr R and Scottish Friendly and give them the chance to respond before I make my final decision. Firstly, I think it is important to note that the process involved in Mr R accessing his pension benefits is required by the Financial Conduct Authority (FCA), and that Scottish Friendly is legally required to make sure that Mr R is informed of all the options he has for accessing his benefits. The process is designed to ensure that people receive the opportunity to take financial advice if they want and also to choose products that best suit their own individual retirement needs. I can appreciate that Mr R found the length and nature of the forms and documentation he had to complete somewhat frustrating, but Scottish Friendly did nothing wrong in terms of following its process, and further investigating the answers Mr R provided where it needed to.

The discrepancies between when Mr R says he provided information and when Scottish Friendly's records show it's receipt may be explained, at least in part, by some evidence that indicates Mr R may have made a spelling mistake in an email address when contacting Scottish Friendly on at least one occasion. Again, I can understand that the apparent slow

response of Scottish Friendly in this instance may have increased Mr R's disillusionment with the process, but the fault for this particular error does not rest with Scottish Friendly.

Having said this, however, it's also important to say that Scottish Friendly acknowledges its' implementation of this process fell short of the standards that Mr R had a right to expect, causing a delay of 15 working days in the process. This delay was caused by the service it provided to Mr R failing to meet its own internal service standards on a number of occasions, which in turn caused Mr R a significant amount of frustration as he sought to access his pension benefits so that he could retire.

Given this, I agree with our investigator that £250 compensation for the distress and inconvenience Mr R suffered as a result of Scottish Friendly's failings is appropriate given the circumstances of this case.

I turn now to look at the issue of whether the enhanced annuity quote Mr R received in March 2023 should be backdated to 23 February to reflect the delays caused by Scottish Friendly. I have noted that Mr R had not returned the forms required to take up the enhanced annuity by the time I reviewed the evidence, over 5 months after they were sent to him. While I can appreciate Mr R's sense of disillusionment with the process and his interactions with Scottish Friendly, I have to bear in mind that the role of this service is not to punish providers for their mistakes, but to try and ensure a consumer is put back into the situation they would have been in had the process been carried out correctly and without delays. It is also the position of this service that a complainant has a duty to mitigate any losses they may have suffered, and to engage with the provider to allow the process to be completed. In this situation, I think it's reasonable to conclude that although Scottish Friendly fell short of its own internal standards and caused delays to the process, I cannot ignore the fact that Mr R had not returned the forms to Scottish Friendly several months after they were issue to him. Annuity quotations are based on a number of factors, not least the age of the customer at the date of the quotation and the interest rates and investment assumptions that apply at the time they are calculated.

Given this, I find it's fair and reasonable to find that the annuity rate that was quoted to him in March would, by now, be no longer valid. Consequently, I find that Scottish Friendly is not required to honour the quote that Mr R received in March, but to engage with him so that he can receive an updated annuity quotation so he can make an informed decision about the best option for him to take his retirement benefits.

Consequently, and disappointing as it will be for Mr R to hear, the only way for him to access his pension benefits and retire will be for him to re-engage with Scottish Friendly and seek a new enhanced annuity quote, either with Scottish Friendly or through an Open Market Option. He also has the option of transferring his pension benefits away from Scottish Friendly to another provider, and engaging with them to take his benefits

Scottish Friendly responded to my provisional decision to say that it agreed to increase the amount it would pay Mr R in respect of the distress and inconvenience its mistakes had caused him to £250.

Mr R also responded to my provisional decision to reiterate that he felt that the as a result of Scottish Friendly's delay in processing his retirement forms, he was unable to retire as he had planned and had to continue to work for another year. While I can accept that Mr R felt compelled to continue to work past his planned retirement date, I have to bear in mind that the role of this service is to try to place people back into the financial position that they would have been in if it were not for a business' mistakes. As such, I cannot see that Mr R has been financially disadvantaged by continuing to work and so I can only consider the distress and inconvenience he has suffered in my decision.

Putting things right

I'm satisfied that the delays that Scottish Friendly caused in this process matter will have caused Mr R considerable distress and inconvenience. I agree with our investigator that a total of £250 is a fair and reasonable amount of compensation in the circumstances of this case. Scottish Friendly should pay Mr R a total of £250 including any payment it has already made to him.

It should provide Mr R with any updated documentation necessary to allow him to complete the process and access his retirement benefits or transfer those benefits to another provider if that is his choice.

My final decision

For the reasons explained above, I uphold the complaint. My final decision is that Scottish Friendly Life Assurance Limited should pay the amount calculated and carry out the actions as set out above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr R to accept or reject my decision before 1 December 2023.

Bill Catchpole
Ombudsman