

## **The complaint**

Mr Y complains about the delayed payment of the proceeds of his pension plan by Scottish Widows Limited (Scottish Widows).

He says waiting for the payment for more than three months caused him financial hardship as he needed those monies to pay for living costs.

Mr Y also complains that he wasn't given information about the breakdown of the payment and so when he eventually received the proceeds, he was concerned that the amount was incorrect.

## **What happened**

Mr Y held a pension plan with Scottish Widows. On 3 May 2023 he contacted Scottish Widows and asked for a full encashment of his plan.

Unfortunately Scottish Widows then closed down his request in error.

Mr Y contacted Scottish Widows on 30 May 2023 to ask about his encashment request, as he was expecting to have received the money by 13 May 2023, and he raised a complaint. Mr Y said he was informed that he wouldn't receive the funds until his complaint had been resolved.

On 7 July 2023 Mr Y contacted Scottish Widows again to try to find out what was happening with the payment and his complaint.

On 24 July 2023 Scottish Widows sent Mr Y an update letter indicating it was still considering his complaint.

On 10 August 2023 Mr Y contacted our service and made a complaint. He said he was concerned about the delay in payment and that the value of his pension plan had fallen in the meantime.

On 11 August 2023 Scottish Widows wrote to Mr Y indicating it had paid the proceeds of his plan to his account. The letter explained that Mr Y should *"...allow three to five working days for this payment to reach the account."*

On 22 August 2023 Scottish Widows issued a final response to Mr Y's complaint. It accepted that the encashment payment had been delayed and offered him compensation. Scottish Widows agreed to pay the value of Mr Y's plan, as it was at the time of the application on 3 May 2023, together with interest at the rate of 8% simple per year for the period of time Mr Y was without the monies. It calculated that period assuming a ten working day timeframe for processing the request for payment. It also allowed four working days for the payment made on 11 August 2023 to reach his account, so using the 17 August 2023 as the relevant end date.

Scottish Widows also paid Mr Y £100 for the distress and inconvenience it had caused him.

Unfortunately Mr Y didn't receive the response to his complaint as it was sent to another address in error.

Our investigator considered Mr Y's complaint and provided him with further information in relation to how the compensation had been calculated by Scottish Widows.

The investigator agreed with the compensation of interest for Mr Y being deprived of his funds but felt that the distress and inconvenience payment was insufficient in the circumstances. She took into account the length of the delay and the resulting impact on Mr Y.

The investigator noted that the delay had caused Mr Y a great deal of stress. He had made several calls where he had been told the money would be sent but the payment wasn't made. The investigator accepted that had been upsetting for Mr Y as he was relying on the money to pay for living expenses and financial commitments.

The investigator also noted that Mr Y and his wife were retired, and Mr Y had explained he had to take out an overdraft because of the delayed payment.

The investigator took into account that Mr Y had been told the payment wouldn't be made until his complaint had been investigated, whereas the investigator felt it would've been appropriate for Scottish Widows to have indicated to Mr Y that the money would be paid without delay to prevent any concern.

The investigator also noted Mr Y's concern about the amount he had received being lower than the value of the plan but considered this was due to the tax deducted from the payment. She concluded that Scottish Widows had acted correctly because it had to follow instructions from HMRC.

Overall, the investigator thought that Scottish Widows should pay £400 for the distress and inconvenience caused to Mr Y.

Scottish Widows accepted the investigator's view.

Mr Y asked for his complaint to be reviewed. Mr Y indicated that he was unhappy Scottish Widows had sent the response letter to his complaint to an incorrect address which he described as "a serious breach of confidentiality."

As no agreement could be reached the matter was referred 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.

#### Impact of delayed payment

Scottish Widows has accepted that the encashment application made by Mr Y on 3 May 2023, should have been paid by 18 May 2023, as it generally takes 10 working days for it to process those types of application.

Instead the payment was made around 11 August 2023 and received around 17 August

2023. Although in his complaint Mr Y says he thinks it was received in his account on 21 August 2023.

So, Mr Y had to wait almost three months longer than he should have, to receive his encashment monies.

I think that during that time, Mr Y was given very little information about what was happening with his payment. It wasn't until 11 August 2023 that Scottish Widows wrote to him indicating the payment was being made. I think this made it difficult for Mr Y to plan his finances and I note this wasn't an insignificant sum.

Mr Y has explained he was experiencing financial difficulties because of the increased cost of living, so receiving these monies promptly was important to him and the delay caused him some difficulty and distress. I accept that was the case. He has also said that he had to apply for an overdraft as a result.

I also note that because he didn't receive the response, Mr Y didn't receive any apology for the delayed payment until much later when the matter was investigated by our service.

And so I think that, although Scottish Widows has rightly compensated Mr Y for the financial loss of missing out on his pension funds for several months, he should also receive a higher award in respect of the impact that this has had on him.

#### Tax deduction

Mr Y was unsure that he had received the correct encashment amount because it was lower than the value of his plan. The letter sent from Scottish Widows in July 2023 simply said that the payment had been made. The final response letter to Mr Y's complaint however explained that tax had been deducted from the plan proceeds.

As the investigator has said, Scottish Widows was duty bound to follow instructions from HMRC and deduct the relevant tax from the payment. However, I think if Mr Y had received the explanation contained within the response, this would have addressed that concern.

#### Summary

I consider that Scottish Widows' payment of interest at 8% simple per year for the time Mr Y was deprived of his monies is fair and reasonable in the circumstances and I note that compensation was paid at an early stage.

I also note Scottish Widows used the value of the plan as at the date of the application which I consider to be fair and reasonable given that Mr Y's application was cancelled by Scottish Widows in error.

Overall, taking into account the length of the delay and the resulting impact on Mr Y, I agree with the investigator that £400 is fair and reasonable compensation for the distress and inconvenience caused to him.

#### Handling of personal information

Mr Y's final response letter was sent in error to another address. Mr Y was upset and concerned to discover his letter had been sent elsewhere.

Scottish Widows has investigated the potential disclosure of Mr Y's personal information and concluded that there have been no financial implications as the letter didn't contain banking

details.

I note that Scottish Widows has agreed to pay the additional compensation which I have set out below.

I can see that the letter contained Mr Y's name, details of his pension plan (now closed), the amount paid out and details of his complaint. So, I can appreciate that Mr Y would be concerned and upset to discover that information was potentially disclosed to a third party, even if there was insufficient information there to allow a third party to access any financial accounts. I should note that there is no indication that this information has been viewed by a third party.

Overall, I think Scottish Widows should pay an additional £100 for the distress caused to Mr Y as a result.

I should say, on this particular point, that whilst I'm able to consider matters relating to overall customer service, which I think reasonably includes sending a letter to the wrong address, our service doesn't have the remit to conclude as to whether there has been a breach of data protection law here, that is a matter for the Information Commissioner's Office (ICO) and it is open for Mr Y to contact the ICO should he so wish.

### **Putting things right**

Scottish Widows should pay £400 for the distress and inconvenience caused by the delayed payment but it may deduct the £100 it has already paid Mr Y.

However, Scottish Widows should pay an additional £100 for the distress caused to Mr Y by the sending of the response letter to the wrong address.

### **My final decision**

My decision is that Mr Y's complaint against Scottish Widows Limited is upheld and it should pay him compensation as set out in this decision.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr Y to accept or reject my decision before 20 February 2024.

Julia Chittenden  
**Ombudsman**