

## The complaint

Mr M complains about the personal pension he has with Scottish Widows Limited ('Scottish Widows'). He says that at the time of sale he was informed that the policy only provided life cover. But he has been told several times by Scottish Widows that the policy would provide an income or a lump sum when this is not the case. He says he has been given incorrect information about the policy and recently he and his representative have been '*messed about*' for months.

## What happened

Mr M has two complaints here. Lloyds Bank PLC ('Lloyds') advised Mr M to start the plan and is responsible for the sale of it. And his policy is with Scottish Widows and this business administers and provides ongoing service and information about the policy.

I'm considering the complaint made against Scottish Widows in this decision.

On 14 February 2001 Mr M started a personal pension policy. I've seen the policy document for this and in the interests of clarity I can confirm that it is a personal pension but there is no investment element, the only benefit it provides is life cover. It didn't ever have a value or could have provided a lump sum or an income. The policy ran until August 2023.

Mr M made a complaint about this policy in 2020. This complaint was made on the basis that he had received information that led him to think that his policy had a cash in value. When he was told this wasn't the case, he became concerned about the advice he was given to start the policy.

I can see that on 10 August 2020 Scottish Widows wrote to Mr M and informed him that it was not upholding his complaint about the information it had provided. Scottish Widows said in the complaint response that it had sent Mr M a letter on 6 January 2015 which enclosed full policy details. It said he was informed at this time that the policy is a personal pension, but it had no value and only provided life cover. And the annual statements it has provided confirm this. This complaint response acknowledged that it could have been clearer at times about how the policy worked, and so it paid Mr M £100 compensation for this.

I can see that Mr M, and his Independent Financial Adviser (IFA), had some contact with Scottish Widows in 2023 when the policy was due to end. Mr M said he asked his IFA if they could arrange a drawdown from the policy as he thought it had a value.

As part of this correspondence in May 2023 Scottish Widows informed Mr M's IFA that he did have a personal pension and it didn't just provide life cover. And in the email of 7 July 2023 Mr M was informed that his policy had a value of £75,811 (this is the life cover amount). But later, Scottish Widows correctly told Mr M that his policy only provided life cover.

Mr M's IFA has also been given incorrect information about this, and Mr M says all of this led him to believe that he would receive an income or lump sum from the plan when it ended in August 2023.

Mr M complained to Scottish Widows about the incorrect information he had received. He also complained about the problems he and his IFA had when it tried to contact the business and obtain information from it over the preceding few months. Scottish Widows upheld this complaint, but it didn't offer any compensation.

Mr M then referred his complaint to the Financial Ombudsman Service.

When Scottish Widows provided its file to the Financial Ombudsman Service it acknowledged the poor customer service I've outlined above and offered Mr M £250 compensation for the distress and inconvenience he had suffered because of this. Our Investigator informed Mr M about this offer, but he didn't want to accept it.

Our Investigator then fully considered the complaint but thought that the offer Scottish Widows had already made was reasonable. He acknowledged that Scottish Widows had provided incorrect information to Mr M and his IFA, and this would have incorrectly raised his expectations about what the policy would provide. But as this had been corrected, he thought the £250 Scottish Widows had offered was adequate compensation for the errors it had made.

Mr M didn't agree with this and said that:

- Scottish Widows had continued to inform him that his policy was a personal pension
- It had misled his IFA when it informed them time and time again that he had a personal pension.
- He questioned how the policy could be misunderstood by so many people.
- He thinks he should have a return of his premiums and he has found the whole situation very distressing.

As the issue hasn't been resolved, it has been passed to me to decide.

### **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'll talk about what this policy is in case there is any ongoing confusion about this. Mr M stated a Scottish Widows personal pension policy. A personal pension can either invest the policyholders' premiums and use them to provide a lump sum or income at their retirement. Or the premiums can be used to purchase life cover. Or a combination of both.

In Mr M's case his premiums were used to provide life cover and none of the premiums were invested to provide a lump sum or an income at Mr M's retirement. All the policy documentation is clear about this. And his policy is usually correctly referred to as Personal Pension (Life Cover Only) by Scottish Widows.

So, it's correct to say Mr M has a personal pension policy and also correct to say that it won't provide an income or allow Mr M to draw down from it. It's perhaps understandable that Mr M thinks a personal pension should provide an income, but this isn't the case here. And Scottish Widows isn't doing anything wrong in setting a policy up this way or calling his policy a personal pension.

Whilst I've considered all of the correspondence about this complaint, I'll concentrate here on the 2023 contact Mr M and his IFA had with Scottish Widows which is the subject of this complaint.

Mr M thought that the policy could provide some sort of income or lump sum and he contacted an IFA to arrange this in 2023. As has been established there were some problems when he did this. In summary these were:

- Scottish Widows didn't provide information to his IFA when he requested it, and there were problems with the IFA becoming Mr M's representative, despite it being clear that this was what Mr M wanted.
- And Scottish Widows did, at times, inform Mr M that his policy had a value, and it could provide him with an income or a lump sum at his retirement.

Scottish Widows now accepts this wasn't right and it should have done better here. And I agree with this. Mr M was clearly caused some upset and some inconvenience when he tried to access the money he thought he had.

But Mr M's personal pension policy didn't provide this benefit and so I don't think it's reasonable to make an award on the basis that he receives this. And he has benefitted from the life cover over the term of the policy and so a return of the premiums isn't reasonable either.

And whilst Mr M has been provided with some misleading information, by far the bulk of the documents and contact I have seen have correctly informed him that his policy provides life cover only and so the only benefit would be to his beneficiaries on his death whilst the policy was in force.

So, overall, I think the £250 that Scottish Widows has offered is reasonable and I recommend that Mr M accepts this to resolve his complaint about this policy.

### **Putting things right**

Scottish Widows should pay Mr M £250.

### **My final decision**

My decision is that I uphold this complaint. Scottish Widows Limited should put things right as I've outlined above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr M to accept or reject my decision before 21 February 2024.

Andy Burlinson  
**Ombudsman**