

The complaint

Mr C complains that Scottish Widows Limited provided him with incorrect information about the value of his pension savings. And he says that delays in confirming the addition of a one-off contribution he made caused him to be unable to accept quotations regarding his retirement income

What happened

I issued a provisional decision on this complaint in November 2023. In that decision I explained why I thought the complaint should be upheld and what Scottish Widows needed to do in order to put things right. Both parties have received a copy of the provisional decision but, for completeness, I include some extracts from it below. In my decision I said;

Mr C holds pension savings with Scottish Widows. Those pension savings benefitted from a Guaranteed Annuity Rate ("GAR") that applied on Mr C's nominated retirement date ("NRD") – his 60th birthday in May 2022.

Around a week before the NRD Mr C made a final contribution of £5,000 to his pension plan. He also asked to be sent details of the value of his pension savings that he could use to purchase an annuity using the GAR. The information that Scottish Widows sent to Mr C was incorrect, and overvalued his pension savings by approximately £25,000. Scottish Widows has told us that value actually represented the cost of providing a pension using the GAR rather than the underlying value of Mr C's pension savings. The incorrect information was also sent to Mr C in June 2022. And Scottish Widows failed to initially apply the final contribution to Mr C's pension plan. That wasn't completed until July 2022 when the corrected valuation of Mr C's pension savings was provided to him.

Mr C complained to Scottish Widows about what had gone on. He also noted that a commission on his contributions had been paid to a financial advice firm with whom he had no ongoing relationship. And he said that he had been told the fall in the value of his pension savings was due to economic factors arising from Brexit and the war in Ukraine.

Scottish Widows responded to some of Mr C's complaint in August 2022. It accepted that the information it had provided to him, both in terms of the value of his pension savings, and the reasons for the fall in value, had been poor. But it noted that it had now provided Mr C with correct information about his pension savings. It paid Mr C £100 for the inconvenience he'd been caused.

But more recently Scottish Widows has opened a new complaint for Mr C as it doesn't consider that its earlier responses adequately dealt with all the matters he had raised. Scottish Widows has said that I shouldn't deal, in this decision, with those issues. But, as I will explain in more detail later in this decision, I think some of those issues do form part of this complaint, and are most efficiently dealt with in this decision.

As Scottish Widows will be aware, unlike the Courts, I am not limited to looking only at the issues a consumer has focused on in their complaint. Our approach is "inquisitorial" - rather than the "adversarial" procedures of the courts, where the lawyers for the two sides "fight it out". By law, I am required to resolve complaints fairly. This means I decide what questions to ask to get to the bottom of things. And it means I can concentrate on the relevant facts of the case, rather than the complaint as presented. So I think it right that I incorporate parts of the offer Scottish Widows has recently made to Mr C in my findings on this complaint – parts of that offer arise solely from the problems that Mr C initially referred to us in this complaint.

Scottish Widows accepts that it didn't provide the levels of service that it would have hoped to in the period around Mr C's NRD in May 2022. It failed to apply, in a timely manner, a contribution he had made to his pension savings. And on two separate occasions it provided him with incorrect information about the value of his pension savings. Whilst I am satisfied that Mr C didn't have any entitlement to receive the higher value, and that the information Scottish Widows has recently provided about the value of Mr C's pension savings is correct, it is understandable how disappointed Mr C feels. He has saved for an extended period of time for his retirement, and at the point he intended to use those monies, Scottish Widows failed to deal with his requests efficiently.

Purchasing an annuity is an irrevocable decision – with it generally providing an income for the remainder of a consumer's life. So it is understandable that a decision of that importance should be considered carefully and be based upon the most accurate information. It therefore seems entirely right that Mr C might have been unwilling to make that decision whilst Scottish Widows was endeavouring to confirm whether the additional contribution had been added to his pension savings, and what the final value of those savings was.

And Mr C says that Scottish Widows had told him that the GAR would remain available to him until his complaint had been resolved. So he was surprised to receive a letter from Scottish Widows in September 2022 telling him that, since he had failed to take his pension benefits, his GAR was no longer applicable and the maturity date of his plan had been changed to his 75th birthday.

It seems to me that Mr C is most likely to have taken his annuity around the time of his NRD had nothing gone wrong. As I have explained earlier Scottish Widows provided Mr C with repeated incorrect information. Had that not been the case then I think he would have proceeded with the annuity purchase taking advantage of the GAR that applied. So I intend to make directions in this decision to allow Mr C to proceed on that basis if that is what he now wishes to do.

I accept that Scottish Widows thinks redress of that nature should be related to the new complaint it opened for Mr C, and on which it did offer to provide an extension to the GAR in the letter it sent to Mr C last month. But I am satisfied that the redress should equally apply to this complaint – the incorrect information was the catalyst for Mr C deferring his decision on taking the annuity using the GAR. And taking a holistic view I think it makes little difference to Scottish Widows against which complaint I issue the redress direction. The final response offering the backdated GAR was only issued last month so there are no jurisdictional issues that might prevent Mr C from accepting that offer or bringing that part of his complaint to us.

I think that Scottish Widows has now provided a clear explanation about why it gave incorrect information to Mr C about the value of his pension savings. The GAR was a valuable benefit and would require Scottish Widows to augment the value of Mr C's

pension savings so the correct annuity could be paid. But the GAR was only available to Mr C in very specific circumstances (type of annuity, date of vesting etc) so the augmentation that would be needed wasn't more generally applicable to Mr C's pension plan. Whilst there is no doubt that the information Scottish Widows gave to Mr C was incorrect, I don't think it created any entitlement for Mr C to receive the higher value.

Overall Scottish Widows has paid Mr C £250 for the distress and inconvenience he has been caused. Given that I am now intending to give him the opportunity to take an annuity benefitting from the GAR I think the amount Scottish Widows has paid him is reasonable compensation for the inconvenience he was caused. So I don't intend to direct Scottish Widows to pay anything further to Mr C in that regard.

I understand why Mr C was disappointed to not receive the value of his pension savings that Scottish Widows told him had accrued. But I am currently satisfied that Scottish Widows has now correctly calculated what is reasonably due to Mr C. I currently think that Scottish Widows should allow Mr C the opportunity to purchase an annuity, applying the benefit of the GAR, backdated to the NRD he had originally selected (his 60th birthday).

I invited both parties to provide us with any further comments or evidence in response to my provisional decision. Both Scottish Widows and Mr C have provided some additional comments. Although I am only summarising here what Mr C and Scottish Widows have said, I want to reassure both parties that I have read, and carefully considered, their entire responses.

Scottish Widows says that it still thinks my redress in regard of the GAR should better be applied to Mr C's other complaint. But, in order to get matters resolved, it says it is willing to accept my provisional decision. Mr C has sent us details of a complaint he made against Scottish Widows that has been upheld by the Information Commissioner's Office ("ICO"). And he has said that Scottish Widows has told him that the offer it made on his other complaint, in relation to the GAR, has now expired.

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.

As I set out in my provisional decision, in deciding this complaint I've taken into account the law, any relevant regulatory rules and good industry practice at the time. I have also carefully considered the submissions that have been made by Mr C and by Scottish Widows. Where the evidence is unclear, or there are conflicts, I have made my decision based on the balance of probabilities. In other words I have looked at what evidence we do have, and the surrounding circumstances, to help me decide what I think is more likely to, or should, have happened.

And I repeat my reflections on the role of this service. This service isn't intended to regulate or punish businesses for their conduct – that is the role of the Financial Conduct Authority. Instead this service looks to resolve individual complaints between a consumer and a business. Should we decide that something has gone wrong we would ask the business to put things right by placing the consumer, as far as is possible, in the position they would have been if the problem hadn't occurred.

I don't think Mr C's complaint to the ICO has much bearing on what I am considering here. Scottish Widows has provided us with all the relevant information I needed to decide the

complaint. And I am upholding the complaint in favour of Mr C and asking Scottish Widows to put things right in the manner that Mr C has requested. I have noted that Scottish Widows' offer to Mr C, made on his other complaint regarding the GAR, has now expired. But I replicate that offer in this decision meaning that Mr C will not have lost that opportunity.

So on that basis I see little reason to depart from the conclusions I reached in my provisional decision, and repeat below for clarity. I am satisfied that Scottish Widows has now correctly calculated what is reasonably due to Mr C from his pension savings. I think that Scottish Widows should now allow Mr C the opportunity to purchase an annuity, applying the benefit of the GAR, backdated to the NRD he had originally selected (his 60th birthday).

Putting things right

Scottish Widows should offer Mr C the opportunity to purchase an annuity using the GAR, and on the same terms, as if it had been purchased at his selected NRD of 13 May 2022. Scottish Widows should pay any backdated annuity payments to Mr C adding simple interest at a rate of 8% per annum to each of these amounts from the date they would have been paid to the date of settlement.

In order to benefit from the backdated GAR Mr C should contact Scottish Widows to begin its "retirement journey" process within 30 days of his acceptance of this final decision. Should he fail to contact Scottish Widows within that timeframe his entitlement to the GAR will lapse and his pension plan will revert to a business as usual arrangement.

My final decision

My final decision is that I uphold Mr C's complaint and direct Scottish Widows Limited to put things right as detailed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mr C to accept or reject my decision before 23 February 2024.

Paul Reilly
Ombudsman