DRN-4546828

The complaint

Mrs L complained that she has suffered a financial loss as a result of Scottish Widows Limited (Scottish Widows) not switching the funds her Group Personal Pension (GPP) was invested in, despite telling her that it would.

Mrs L would like to be compensated for any financial loss she has suffered as a result.

What happened

Mrs L is a member of her employers Group Personal Pension Plan (GPP), which is managed by Scottish Widows. She is also an employer representative of the pension scheme.

In December 2021, Scottish Widows wrote to members of the GPP, including Mrs L to explain that it intended to make changes to the way members' funds were invested. In particular it planned to make changes to the GPP's default investment options by 1 April 2022 and informed her that from 11 March 2022 her funds would be switched to new lifestyle strategies. It invited her to inform it if she did not want to change from her existing investments. The letter stated:

"*We are making these changes because we believe this could lead to higher expected returns for members who invest in the scheme's new Pension Investment Approach (PIA) lifestyle strategies. By 1st April 2022, the investment options for your plan will change, including the scheme default investment option...*

…If you're currently invested in the scheme default investment option or any of our SW Passive Lifestyles, we'll switch you to the new equivalent Pension Investment Approach (PIA) lifestyle strategy…

…You can change your investment at any time, to any of the options available through yourscheme, as well as the new default investment option, by logging in to MoneyALife."

On 3 January 2022, Mrs L logged into her pension portal and made two changes to the Selected Retirement Age (SRA) of her pension. The first of these was an increase in the SRA from 65 to 72 years. The second change decreased the SRA from 72 to 61 years and remained at that level.

Unknown to Mrs L at that time, the letter she had received in December 2021 was based upon her being over four years away from her SRA. The transfer of investments was likewise predicated on her being over four years away from her SRA. If she had been within four years of her SRA she would have received a different letter, which would have informed her that because of the relatively short time until her retirement her investments would not be transferred but would remain as they were.

The effect of her reducing her SRA to age 61 meant that by the time of the planned transfer, she would be within four years of her chosen retirement date, which led to her investments not being changed.

Mrs L also appointed an independent financial adviser (IFA) on 15 January 2022. The IFA contacted Scottish Widows later that month and was provided with information about Mrs L's GPP, including her SRA now being age 61.

Mrs L was subsequently sent her annual benefits statement on 10 June 2022 which included details of her investments and the SRA of 61.

Mrs L has stated that she remained unaware that her investments had not been switched to the new PIA until December 2022, when in her capacity as an employer representative she became aware that a number of other employees had also been excluded from the switch.

Her employer complained about the employees that had not been switched and Mrs L complained to Scottish Widows on her own behalf on 10 February 2023.

Scottish Widows issued a final response to Mrs L's complaint on 7 March 2023. Although neither Mrs L nor Scottish Widows have provided a copy of her original complaint, Scottish Widows explained the reason for the complaint was due to Mrs L being:

"…frustrated and disappointed at the lack of communication from Scottish Widows (SW),regarding changes to your Selected Retirement Age (SRA), as your scheme was going through a harmonisation project to move eligible members to our new Pension Investment Approach (PIA) funds from the old default, you feel you may be financially impacted as you were not moved.

You feel this is a direct result of not being informed that we were doing a harmonization project on your scheme, as you did not receive our letter and subsequently were not told that when looking at illustrations for potential retirement dates, you had actually changed your SRA."

Scottish Widows also apologised to Mrs L as she said that she did not receive the harmonisation letter, but its records confirm it was sent to her. It also considered that as other members received their letters, they had no reason to believe hers was omitted from the mailing.

It went on to explain that the reason her investments were not switched to the new PIA was because Mrs L had changed her SRA on the online portal after the letter had been sent. It stated that she would have seen information that she should check the effect the changes she made to her SRA may have had on her investments when she made the changes.

It went on to explain

With regards to us not keeping you updated, when your SRA changed, I do not feel it is a reasonable expectation to alter the platform, to include an additional pop-ups or warning messages to state that you are going through a planned harmonisation. Nor do I feel it's reasonable to expect that our Harmonisation Project team would continually review individual plans during this process. This process is used as standard practice across the industry when making bulk changes to members pensions.

A further final response letter was sent on 23 March 2023 which addressed some further complaint points. It explained that the harmonisation letter dated December 2021 was sent to Mrs L via post a part of a bulk business mail service, meaning that it could not provide individual confirmation that the letter was despatched to her.

It also confirmed that the letter sent to Mrs L was correct at the time it was sent as she was further than four years from her SRA at age 65. Once Mrs L changed her SRA to 72 and subsequently to 61 after the harmonization letter was sent, her fund was not switched as she no longer fit the criteria for switching.

Unhappy with these responses to her complaint points, Mrs L brought her complaint to this service.

Our investigator reviewed all the evidence and came to the view that her complaint should not be upheld.

Mrs L was unhappy with this view and so this case has been passed to me to review the evidence again and make 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.

Having reviewed all the evidence in this case, I agree with our investigator and do not uphold this complaint.

I can appreciate that this will be disappointing to Mrs L, so I will explain my reasons.

Before I do this, I think it appropriate to reflect on the purpose of this service. It is not our role to punish a business for making mistakes, but to investigate complaints and decide whether a business has made errors in the way it has treated a customer. Where we find it has, we will seek to understand the effect of those errors on the customer and propose a level of redress that would put the customer back into the position they would have been in if it were not for those errors.

Mrs L's complaint essentially concerns the communications that Scottish Widows provided to her which led to her funds remaining in the SW Lifestyle products she was invested in, rather than being moved to the new PIA in April 2021. She feels that these communications were insufficient and did not provide her with an appropriate level of information to understand that this would be the case.

The first element of this relates to the letter sent to members of her GPP in December 2021, which said that her investments would be moved to the new PIA strategy by 1 April 2022. I note from the second response that Scottish Widows sent to Mrs L's complaint on 23 March 2023 that indicates that she had complained that she had not received this letter. Scottish Widows has provided a copy of the letter and evidence that Mrs L was in the group of GPP members that would have received it. Mrs L was also able to provide a copy of the letter, which was correctly addressed to her, so I find it reasonable to assume that it was sent to her as it should have been.

This letter clearly indicated that the switch would automatically take place as follows:

Please read the 'Key Changes in Detail' sections on the following pages and review your investments. If you're happy with the changes you don't need to do anything.

It also provided information about the way in which she could avoid these changes if she was unhappy with them by either contacting Scottish Widows before 18 February 2022 or by changing her investment options by logging into her account on its Money4Life portal.

Mrs L has also made the point that the letter made no mention of the existence of more than one group of employees, neither did it mention that she received the letter because she was more than four years away from her SRA at the point that the investments would be transferred. While this is the case, I find that it is reasonable for Scottish Widows to communicate with each group separately, in line with the transfer strategy. I have reached this conclusion as the letter clearly explains what will happen to the individual recipients' pension benefits and also encourages them to review their pension investments to ensure that they continue to meet their retirement objectives.

In early January 2022, I can see that Mrs L went on to the Money4Life portal and made two changes to her SRA. The first of these was to change her SRA from 65 to 72. The second, less than five minutes later, was to reduce the SRA from 72 to 61, where it remained.

Mrs L has said that she made these changes to model the effect of changing her SRA on her likely retirement income. Given that she made both of these changes, one increasing the SRA and second decreasing it, I think that is what she was doing. The fact that she left the retirement age at 61, however, had a significant consequence, namely that her newly selected SRA would have been less than four years away, and hence she effectively removed herself from the group whose investments would automatically be transferred and joined the group whose investments would remain where they were.

Scottish Widows, in its response to Mrs L's complaint said that she would have received 'pop-up' notices and warnings before changing her SRA via the portal. Mrs L has stated that these did not warn her that changing her SRA would have led to her investments being left in their existing SW lifestyle funds.

The final warning that Mrs L would have received stated the following:

If you want to change your Selected Retirement Age (SRA), you can review your investments to make sure that they're still suitable for your new date to retirement.
If you have invested in a lifestyle strategy, your strategy will automatically change in line with your new SRA.

For more information, please refer to 'Guidance on your fund choices' section of your product guide. You can also use the retirement planner to see how changing your SRA might affect the income you could receive at retirement.

Click 'Yes' to confirm that you want to change your SRA, or 'No' if you want to leave it unchanged.

From this, although I find that Mrs L was changing her SRA to model her retirement income, I think that the information that Scottish Widows provided gave an appropriate level of warning that changing the SRA could have an impact upon the suitability of her current investments, as well as drawing her attention to the 'retirement planner' that would have helped to model future scenarios without affecting her live records. I also note that having changed her SRA to 61, Mrs L then subsequently left it at that level.

In terms of Mrs L's assertion that the warning text should have been more specific about her circumstances, I can't see that Scottish Widows has done anything wrong here. The platform is for the use of all its online customers, and implementing specific warnings tailored to an individual's circumstances does not seem to be practicable.

Turning now to the issue of when Mrs L first became aware that her funds had not been switched, she has said that she first found out not as an individual member of the GPP, but through her role at the employer. Scottish Widows believed that it had provided Mrs L - and her IFA - with sufficient information to become aware that her SRA, in particular, had changed. I can see that it provided her IFA with information about her investments within the

GPP in January 2022. I haven't seen any information which outlines the discussion she had with her IFA, but I think it probable that she discussed her financial situation, including her retirement benefits within the GPP. This should have, at least, uncovered the information about her SRA being set at 61 and any advice she received be based upon that being the age at which she would seek to take benefits from her GPP.

Scottish Widows subsequently sent Mrs L an annual pension statement in June 2022. Although this covered the period up until April 2022, and thus her investments in the SW Lifestyling products, it again showed that her SRA remained set at 61. In conclusion, I find that Mrs L should reasonably have been aware that her retirement date remained at 61.

I have carefully considered whether or not Mrs L ought to have been aware that her funds had not been switched to the new PIA as the letter of December 2021 indicated they would be. When considering this important point, I have to bear in mind that she had the means to review her investments at any time using the Money4Life portal, which she demonstrated that she was both aware of and able to use when she used it to change her SRA to 61 in January 2022. I would also expect that her IFA would also have had to consider the investment funds she held as part of any review of her finances. In contrast to this, I understand that she did not receive any further specific communication from Scottish Widows after the transfer of assets should have been completed in April 2022, and so she may have assumed the transfer had taken place as she had previously been informed. On balance, as Scottish Widows had provided information to her IFA and she could have found her fund information via the online portal, I find that she had been provided with sufficient information to understand what funds her pension benefits were invested in.

Another aspect to consider is whether Mrs L would have done anything differently if she had understood that her assets had not been transferred to the new PIA. I have to take into account the facts that Mrs L herself changed her SRA to 61 and did not change it back to 65, neither did she change her investments after she became aware they had not been transferred as the letter of December 2021 indicated they would be.

Furthermore, although I understand her contention that she did not change her SRA or investments after she says she became aware her funds had not been transferred was because she wanted to avoid any further unintended consequences. In this situation she could have sought advice from an IFA or changed her SRA back to 65 and transferred to the PIA investments. As Mrs L's complaint was that her investments had not been transferred in the way she wanted, I would expect to have made efforts to change her investments to suit her circumstances once she became aware the transfer had not taken place.

Given this, I find, on balance, that she would not have changed her investments were she to have become aware the transfer had not taken place earlier. I find that she is in the financial position she should be in given the investment strategy once she had changed her SRA to 61.

My final decision

For the reasons explained above, I do not uphold Mrs L's complaint.

My final decision is that Scottish Widows Life & Pensions (UK) Limited does not to do anything to resolve this complaint.

Under the rules of the Financial Ombudsman Service, I'm required to ask Mrs L to accept or reject my decision before 18 April 2024.

Bill Catchpole
Ombudsman